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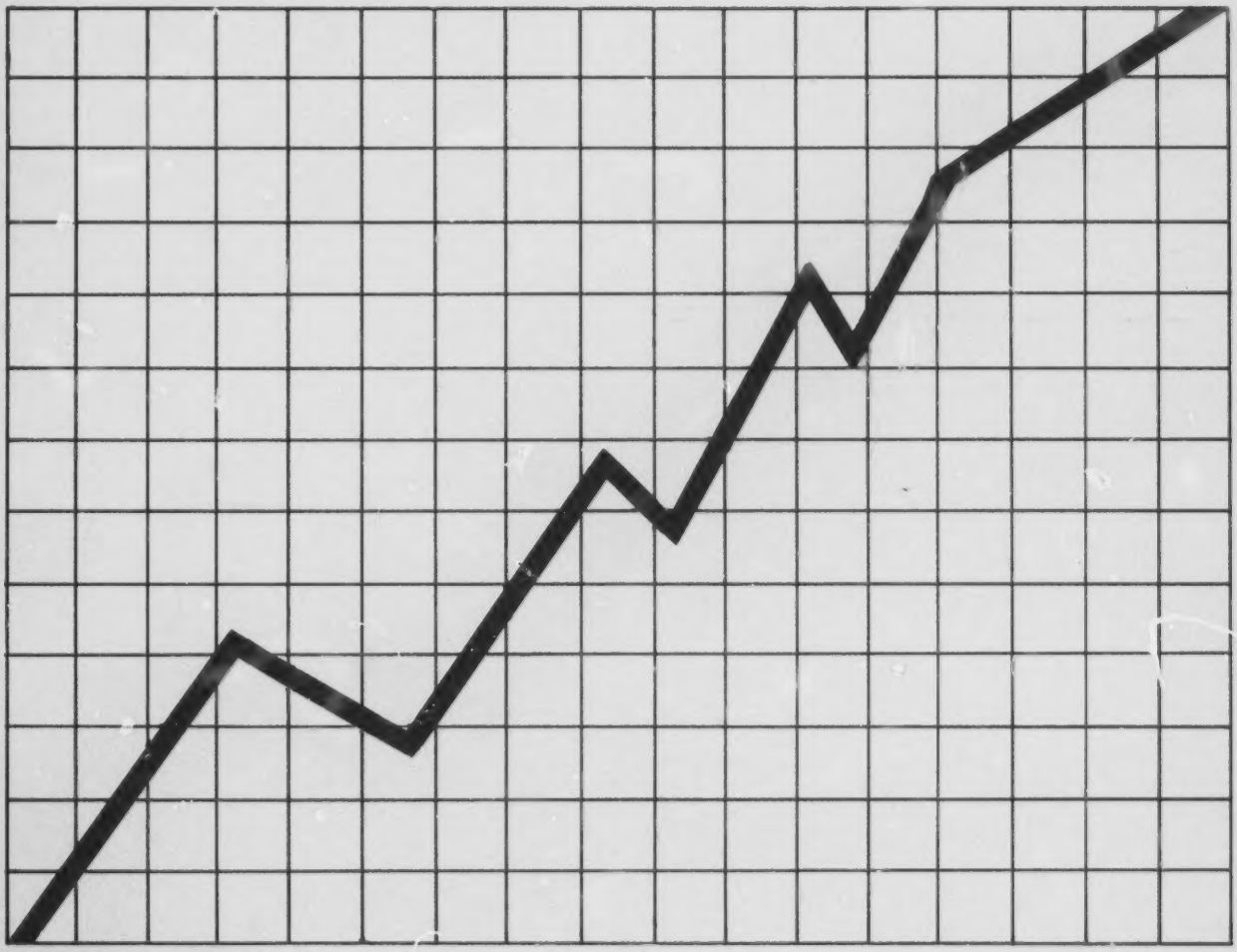
1983 Management Report

For Retail Hardware Stores



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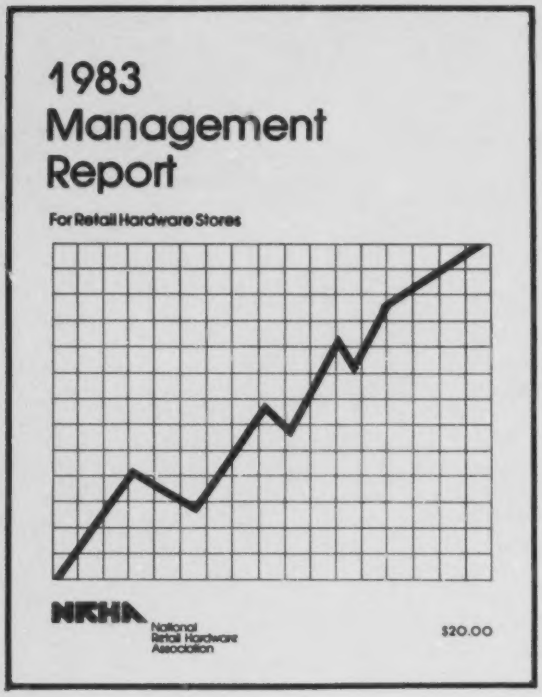

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Introduction

Management Report

The 1983 Management Report presents financial operating data for the retail hardware industry. The Report is designed to fulfill several objectives: to assess the financial performance of the retail hardware industry in 1982; to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Management Report is divided into four major sections: Average Operating Results, Strategic Profit Model, Departmental Sales, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales** information is presented on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor, inventory and cost of goods sold are outlined both for handling firms only and for an average store profile. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

In **New Store Data,** information on the required planning phases for new store development is presented.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location: Part I
- Store Location: Part II
- Geographical Region
- Number of Stores

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provided us with detailed information on their operation. Confidential mail questionnaires were sent to hardware store operators the end of February. Eight hundred and fifteen usable returns were received by June 1, 1983 in time for inclusion in this year's Report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** The data was keypunched by a service bureau and then processed by our own data processing department.

As thanks for their contributive efforts, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to the hardware store Management Report are The Bottom Line for home centers and the Lumber/Building Materials Financial Report for consumer-oriented outlets. Each segment of the concentrated hardgoods market is provided with its own cost-of-doing business comparison manual.

For Assistance

Assistance and aid in interpreting the 1983 Management Report may be obtained from your regional Hardware Association.

Highlights

Net sales are up to $545,194 — a 5.9 percent increase over the average last year. Participating dealers reported an increase in sales of only 2.57 percent, however, which indicates that the average is up due to the participation of higher volume stores. Dealers experienced a decrease in the cost of goods sold which led to a higher gross margin. Expenses were up across the board, however, and therefore net profit was down from 3.31 percent in 1981 to 2.81 percent in 1983.

Type of Hardware Store	Net Sales $	Sales Increase Over 1981* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Hardware Stores	545,194	+2.57	35.60	2.81	10.57	2.43
Low Profit	408,916	-6.87	33.79	(4.28)	(26.88)	2.06
High Profit	483,510	+7.06	38.28	9.34	24.33	2.23
Sales Volume Size						
Under $250,000	173,581	- .64	36.55	1.34	4.12	1.72
$250,000 to $499,999	357,919	-3.54	36.39	2.18	7.96	2.02
$500,000 to $749,999	606,444	+3.69	36.00	3.71	13.16	2.45
$750,000 or more	1,305,124	+5.75	34.90	3.17	12.40	2.91
Sales Floor Size						
Under 3,000 Sq. Ft.	276,246	+9.19	36.09	2.98	8.95	2.34
3,000 to 4,999 Sq. Ft.	365,162	+5.24	35.50	3.45	12.03	2.34
5,000 to 9,999 Sq. Ft.	577,156	-3.23	36.63	3.02	10.24	2.33
10,000 Sq. Ft. or more	1,317,559	+5.41	34.96	2.78	11.81	2.73
Type of Ownership						
Proprietorship	246,373	+3.71	34.55	3.38	10.14	2.07
Partnership	375,447	+ .72	34.36	4.62	15.35	2.49
Corporation	633,527	+2.53	35.76	2.65	10.29	2.47
Trade Area Size						
S.M.S.A.-Central City	716,127	+4.20	38.13	3.59	14.45	2.85
S.M.S.A.-Suburban	676,434	+2.40	37.58	2.37	8.76	2.43
Cities-10,000-50,000	665,754	+5.22	35.55	2.63	10.78	2.61
Rural Areas Under 10,000	450,958	+ .53	34.26	2.74	9.65	2.22
Store Location: Part I						
Downtown	478,270	+1.69	35.44	2.99	9.96	2.39
Suburban	750,997	+3.27	36.23	3.21	13.26	2.60
Rural	454,853	+4.19	33.53	1.94	7.56	2.31
Store Location: Part II						
Shopping Center—Neighborhood	585,114	+2.95	36.18	1.56	7.26	2.53
Shopping Center—Community or Regional	597,675	+4.75	36.81	3.83	14.83	2.33
Free-Standing—No Stores Adjacent	656,654	+5.12	33.44	3.02	11.56	2.60
Free-Standing—Stores Nearby	520,638	+ .66	36.01	3.38	11.22	2.41

*As reported to us by contributing dealers.

Monthly Sales

Shown below are the industry average percent of sales by month. As usual the highest sales are in December and the early summer months. In order to even sales out somewhat dealers should take advantage of special promotions and co-op advertising programs during the early part of the year.

	%
January	6.6
February	5.8
March	7.2
April	8.6
May	10.0
June	9.1
July	8.9
August	8.2
September	8.1
October	8.5
November	8.4
December	10.6

Average Operating Results

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/ benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Equipment Repairs and Maintenance — All charges for incidental repairs which keep the equipment in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt to Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

All Stores

Income Statement Data	All Hardware Stores	Low Profit Stores	High Profit Stores
Number of Stores	815	204	205
Net Sales Volume	$545,194	$408,916	$483,510
Current Year's Sales vs. Previous Year*	+2.57%	−6.87%	+7.06%
Gross Sales	102.33%	101.58%	102.28%
Less: Total Deductions	2.33	1.58	2.28
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.55	67.44	62.81
Margin Before Purchase Rebate or Patronage Dividend	34.45	32.56	37.19
Purchase Rebate or Patronage Dividend	1.15	1.23	1.09
Margin After Purchase Rebate or Patronage Dividend	35.60	33.79	38.28
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	5.58	5.81	5.49
Salaries/Wages — Other Employees	11.55	12.21	10.83
Federal and State Payroll Taxes	1.29	1.45	1.10
Group Insurance	.61	.78	.51
Benefit Plans	.40	.23	.43
Total Payroll and Other Employee Expense	19.43	20.48	18.36
Occupancy Expense			
Heat, Light, Power, Water	1.21	1.55	1.08
Building Repairs and Maintenance	.15	.13	.16
Rent or Ownership in Real Estate**	3.72	4.38	3.27
Total Occupancy Expense	5.08	6.06	4.51
Other Costs of Doing Business			
Office Supplies and Postage	.45	.51	.41
Advertising and Promotion	2.30	3.02	1.83
Donations	.06	.05	.10
Telephone and Telegraph	.33	.46	.27
Bad Debts	.18	.21	.22
Credit Card Expense (Bank Charges)	.11	.10	.09
Delivery Expenses (Other than Wages)	.51	.70	.37
Leasing Expenses (Non-Occupancy)	.06	.07	.03
Insurance (Other than Real Estate and Group)	.80	1.01	.72
Taxes (Other than Real Estate and Payroll)	.38	.25	.38
Equipment Repairs and Maintenance	.19	.20	.18
Interest (Other than Real Estate)	1.73	3.34	1.00
Depreciation (Other than Real Estate)	.84	1.07	.77
Store and Shop Supplies	.43	.60	.35
Legal and Accounting	.48	.48	.55
Computer Services and Expenses (Other than Wages)	.06	.07	.08
Dues and Subscriptions	.10	.13	.10
Travel, Buying, Entertainment	.22	.24	.21
Miscellaneous Services (Laundry, Disposal, Etc.)	.12	.21	.09
Unclassified Expenses	.36	.27	.41
Total Other Costs of Doing Business	9.71	12.99	8.16
Total Operating Expense	34.22	39.53	31.03
Operating Profit or Loss	1.38	(5.74)	7.25
Other Income	1.43	1.46	2.09
Net Operating Profit or Loss (Before Income Taxes)	2.81	(4.28)	9.34

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

All Stores

Balance Sheet Data	All Hardware Stores	Low Profit Stores	High Profit Stores
Total Dollar Assets	$274,645	$226,112	$278,863
	% of Total Assets		
Assets			
Cash On Hand and In Bank	5.68	1.73	8.16
Notes and Installment Contracts Receivable	3.99	3.84	5.12
Accounts Receivable	9.26	9.02	9.04
Merchandise Inventory (End of Year)	54.80	59.06	51.16
Other Current Assets	2.32	2.18	1.67
Total Current Assets	76.05	75.83	75.15
Stocks and Bonds	5.55	5.48	5.56
Real Estate (Not Used In Business)	.87	.62	.76
Other Investments	3.06	1.65	3.96
Total Investments	9.48	7.75	10.28
Land (Owned and Used In Business)	1.66	1.86	1.37
Buildings (Owned and Used in Business Less Depreciation)	4.93	6.06	5.40
Leasehold Improvements (Less Amortization Allowance)	.94	.85	.86
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.43	5.96	3.51
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.36	1.29	1.22
Other Fixed Assets	1.15	.40	2.21
Total Fixed Assets	14.47	16.42	14.57
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.30	11.96	7.18
Current Portion of Notes Payable	6.33	11.78	4.06
Accrued Payroll Taxes	.41	.45	.35
Accrued Other Taxes	1.08	1.05	.85
Other Accrued Expenses	2.35	1.36	2.07
Other Current Liabilities	.94	1.11	.77
Total Current Liabilities	21.41	27.71	15.28
Notes Due Partners/Officers	6.08	8.28	4.60
Mortgage Payable	4.59	6.76	3.92
Long Term Debt	13.69	26.63	8.61
Other Long Term Liabilities	1.49	1.78	.99
Total Long Term Liabilities	25.85	43.45	18.12
Total Liabilities	47.26	71.16	33.40
Net Worth	52.74	28.84	66.60
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	10.57%	(26.88%)	24.33%
Active Owner's Return	31.56%	9.55%	38.62%
Current Asset Ratio	3.55x	2.74x	4.92x
Quick Asset Ratio	.99x	.61x	1.57x
Total Debt to Tangible Net Worth	89.64%	246.82%	50.16%
Stock Turn Times	2.43x	2.06x	2.23x
Sales to Inventory Ratio	3.70x	3.05x	3.55x
Average Inventory per Sq. Ft. Sales Area	$26.00	$24.72	$26.79
Net Sales to Accounts Receivable	21.43x	20.05x	19.19x
Accounts Receivable — Average Age in Days	17.03	18.20	19.02
Net Sales to Total Assets	1.99x	1.81x	1.73x
Net Sales to Net Worth	3.76x	6.27x	2.60x
Net Sales to Net Working Capital	3.63x	3.76x	2.90x
Other Operating Data			
Incoming Freight — % of Purchases	.95%	1.12%	1.03%
Credit Sales — % of Total Gross Sales	26.74%	26.86%	27.57%
Consumer Sales — % of Total Gross Sales	83.17%	84.52%	84.56%
Selling Area — Square Feet	6,274	6,529	5,442
Sales Per Square Foot — Selling Area	$86.90	$62.63	$88.85
Total Area — Square Feet	8,515	9,617	7,674
Sales Per Square Foot — Total Area	$61.15	$42.52	$63.01
Sales Per Person Employed	$60,825	$52,820	$61,993
Sales Per Customer	$8.83	$11.11	$8.13

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Number of Stores	207	307	135	166
Net Sales Volume	$173,581	$357,919	$606,444	$1,305,124
Current Year's Sales vs. Previous Year*	-.64%	-3.54%	+3.69%	+5.75%
Gross Sales	101.71%	101.91%	101.50%	102.95%
Less: Total Deductions	1.71	1.91	1.50	2.95
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.72	64.81	65.26	66.17
Margin Before Purchase Rebate or Patronage Dividend	35.28	35.19	34.74	33.83
Purchase Rebate or Patronage Dividend	1.27	1.20	1.26	1.07
Margin After Purchase Rebate or Patronage Dividend	36.55	36.39	36.00	34.90
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	7.15	6.35	5.17	5.08
Salaries/Wages — Other Employees	9.31	10.97	12.18	12.02
Federal and State Payroll Taxes	1.15	1.30	1.38	1.28
Group Insurance	.60	.74	.55	.56
Benefit Plans	.12	.20	.26	.60
Total Payroll and Other Employee Expense	18.33	19.56	19.54	19.54
Occupancy Expense				
Heat, Light, Power, Water	1.73	1.39	1.12	1.05
Building Repairs and Maintenance	.14	.12	.14	.17
Rent or Ownership in Real Estate**	4.55	3.83	3.83	3.47
Total Occupancy Expense	6.42	5.34	5.09	4.69
Other Costs of Doing Business				
Office Supplies and Postage	.54	.52	.45	.41
Advertising and Promotion	2.38	2.56	2.22	2.18
Donations	.07	.06	.08	.05
Telephone and Telegraph	.49	.37	.33	.27
Bad Debts	.16	.14	.20	.20
Credit Card Expense (Bank Charges)	.06	.07	.11	.14
Delivery Expenses (Other than Wages)	.87	.64	.54	.37
Leasing Expenses (Non-Occupancy)	.06	.11	.05	.05
Insurance (Other than Real Estate and Group)	1.06	.88	.85	.69
Equipment Repairs and Maintenance	.24	.21	.17	.19
Taxes (Other than Real Estate and Payroll)	.37	.37	.27	.43
Equipment Repairs and Maintenance	.24	.21	.17	.19
Interest (Other than Real Estate)	2.60	2.12	1.63	1.43
Depreciation (Other than Real Estate)	1.13	.98	.74	.76
Store and Shop Supplies	.61	.52	.39	.36
Legal and Accounting	.63	.55	.45	.43
Computer Services and Expenses (Other than Wages)	.06	.07	.07	.06
Dues and Subscriptions	.14	.12	.11	.08
Travel, Buying, Entertainment	.23	.22	.22	.21
Miscellaneous Services (Laundry, Disposal, etc.)	.10	.18	.10	.10
Unclassified Expenses	.37	.26	.44	.38
Total Other Costs of Doing Business	12.17	10.95	9.42	8.79
Total Operating Expense	36.92	35.85	34.05	33.02
Operating Profit or Loss	(.37)	.54	1.95	1.88
Other Income	1.71	1.64	1.36	1.29
Net Operating Profit or Loss (Before Income Taxes)	1.34	2.18	3.31	3.17

*As Reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

Sales Volume Size

Balance Sheet Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Total Dollar Assets	$119,157	$202,323	$308,612	$574,662
		% of Total Assets		
Assets				
Cash On Hand and In Bank	4.83	5.46	5.92	5.93
Notes and Installment Contracts Receivable	3.03	3.31	4.06	4.66
Accounts Receivable	5.83	7.97	11.24	10.13
Merchandise Inventory (End of Year)	56.43	57.97	53.77	52.72
Other Current Assets	1.68	1.93	2.44	2.69
Total Current Assets	71.80	76.64	77.43	76.13
Stocks and Bonds	5.06	5.76	6.00	5.35
Real Estate (Not Used in Business)	2.35	.73	.15	.88
Other Investments	3.25	2.61	2.37	3.61
Total Investments	10.66	9.10	8.52	9.84
Land (Owned and Used in Business)	2.10	2.08	1.75	1.24
Buildings (Owned and Used in Bus. Less Depre.)	7.35	4.61	4.41	4.75
Leasehold Improvements (Less Amortization Allowance)	.35	.60	.89	1.33
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	5.13	4.43	4.44	4.25
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.72	1.66	1.23	1.14
Other Fixed Assets	.89	.88	1.33	1.32
Total Fixed Assets	17.54	14.26	14.05	14.03
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.25	9.04	11.92	11.21
Current Portion of Notes Payable	6.82	7.67	7.55	4.79
Accrued Payroll Taxes	.44	.56	.54	.25
Accrued Other Taxes	.82	.99	.92	1.28
Other Accrued Expenses	.84	1.27	2.03	3.60
Other Current Liabilities	1.11	.81	1.00	.95
Total Current Liabilities	17.28	20.34	23.96	22.08
Notes Due Partners/Officers	7.93	7.83	5.52	4.70
Mortgage Payable	7.97	4.27	4.71	3.88
Long Term Debt	18.70	17.41	14.17	9.76
Other Long Term Liabilities	.64	1.53	2.13	1.40
Total Long Term Liabilities	35.24	31.04	26.53	19.74
Total Liabilities	52.52	51.38	50.49	41.82
Net Worth	47.48	48.62	49.51	58.18
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	4.12%	7.96%	13.16%	12.40%
Active Owner's Return	26.05%	31.05%	33.67%	32.23%
Current Asset Ratio	4.16x	3.77x	3.23x	3.45x
Quick Asset Ratio	.89x	.92x	.99x	1.06x
Total Debt to Tangible Net Worth	110.56%	105.70%	102.02%	71.89%
Stock Turn Times	1.72x	2.02x	2.45x	2.91x
Sales to Inventory Ratio	2.66x	3.11x	3.75x	4.40x
Average Inventory per Sq. Ft. Sales Area	$19.76	$25.76	$27.38	$27.71
Net Sales to Accounts Receivable	24.99x	22.19x	17.49x	22.43x
Accounts Receivable — Average Age in Days	14.61	16.45	20.87	16.27
Net Sales to Total Assets	1.46x	1.77x	1.97x	2.27x
Net Sales to Net Worth	3.07x	3.64x	3.97x	3.90x
Net Sales to Net Working Capital	2.67x	3.14x	3.68x	4.20x
Other Operating Data				
Incoming Freight — % of Purchases	1.28%	1.22%	.91%	.79%
Credit Sales — % of Total Gross Sales	26.02%	29.03%	30.22%	24.24%
Consumer Sales — % of Total Gross Sales	86.13%	83.05%	79.31%	83.27%
Selling Area — Square Feet	3,535	4,820	7,236	11,156
Sales Per Square Foot — Selling Area	$49.10	$74.26	$83.81	$116.99
Total Area — Square Feet	5,223	7,226	11,277	14,815
Sales Per Square Foot — Total Area	$33.23	$49.53	$53.78	$88.09
Sales Per Person Employed	$43,954	$53,887	$59,400	$69,328
Sales Per Customer	$7.84	$8.64	$6.21	$10.43

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. or More
Number of Stores	110	235	230	98
Net Sales Volume	$276,246	$365,162	$577,156	$1,317,559
Current Year's Sales vs. Previous Year*	+9.19%	+5.24%	-3.23%	+5.41%
Gross Sales	101.61%	101.84%	101.98%	103.40%
Less: Total Deductions	1.61	1.84	1.98	3.40
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.80	65.59	64.58	66.21
Margin Before Purchase Rebate or Patronage Dividend	35.20	34.41	35.42	33.79
Purchase Rebate or Patronage Dividend	.89	1.09	1.21	1.17
Margin After Purchase Rebate or Patronage Dividend	36.09	35.50	36.63	34.96
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	7.20	5.84	5.96	5.09
Salaries/Wages — Other Employees	11.43	10.95	12.16	11.51
Federal and State Payroll Taxes	1.45	1.23	1.39	1.22
Group Insurance	.56	.65	.67	.54
Benefit Plans	.21	.39	.38	.53
Total Payroll and Other Employee Expense	20.85	19.06	20.56	18.89
Occupancy Expense				
Heat, Light, Power, Water	1.16	1.19	1.17	1.19
Building Repairs and Maintenance	.13	.12	.18	.18
Rent or Ownership in Real Estate**	3.31	3.42	3.82	3.71
Total Occupancy Expense	4.60	4.73	5.17	5.08
Other Costs of Doing Business				
Office Supplies and Postage	.50	.52	.49	.35
Advertising and Promotion	1.80	2.14	2.33	2.40
Donations	.06	.07	.06	.06
Telephone and Telegraph	.38	.32	.33	.27
Bad Debts	.15	.14	.19	.19
Credit Card Expense (Bank Charges)	.05	.08	.10	.17
Delivery Expenses (Other than Wages)	.74	.66	.47	.28
Leasing Expenses (Non-Occupancy)	.04	.07	.09	.04
Insurance (Other than Real Estate and Group)	1.03	.86	.81	.65
Taxes (Other than Real Estate and Payroll)	.31	.33	.48	.40
Equipment Repairs and Maintenance	.20	.22	.18	.17
Interest (Other than Real Estate)	1.19	1.70	1.37	1.91
Depreciation (Other than Real Estate)	.84	.72	.79	.80
Store and Shop Supplies	.51	.40	.43	.38
Legal and Accounting	.51	.59	.42	.43
Computer Services and Expenses (Other than Wages)	.06	.07	.08	.05
Dues and Subscriptions	.12	.11	.11	.08
Travel, Buying, Entertainment	.18	.21	.23	.22
Miscellaneous Services (Laundry, Disposal, etc.)	.15	.15	.08	.11
Unclassified Expenses	.39	.34	.34	.47
Total Other Costs of Doing Business	9.21	9.70	9.38	9.43
Total Operating Expense	34.66	33.49	35.11	33.40
Operating Profit or Loss	1.43	2.01	1.52	1.56
Other Income	1.55	1.44	.50	1.22
Net Operating Profit or Loss (Before Income Taxes)	2.98	3.45	3.02	2.78

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$147,247	$194,439	$303,491	$586,032
Assets		% of Total Assets		
Cash On Hand and In Bank	8.96	6.01	5.91	5.05
Notes and Installment Contracts Receivable	1.74	3.29	3.71	4.76
Accounts Receivable	11.27	9.19	9.35	9.30
Merchandise Inventory (End of Year)	52.63	53.76	54.39	55.40
Other Current Assets	1.97	2.86	1.82	3.03
Total Current Assets	76.57	75.11	75.18	77.54
Stocks and Bonds	5.32	5.19	6.78	4.40
Real Estate (Not Used in Business)	.86	1.10	.75	1.29
Other Investments	2.21	3.83	2.62	3.82
Total Investments	8.39	10.12	10.15	9.51
Land (Owned and Used in Business)	3.11	1.81	1.79	.99
Buildings (Owned and Used in Bus. Less Depre.)	4.78	5.15	5.47	3.83
Leasehold Improvements (Less Amortization Allowance)	.51	.63	1.05	1.23
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	3.61	3.67	3.87	5.60
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.64	1.58	1.29	.90
Other Fixed Assets	1.39	1.93	1.20	.40
Total Fixed Assets	15.04	14.77	14.67	12.95
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	8.21	9.20	10.10	11.35
Current Portion of Notes Payable	4.95	6.53	5.84	6.39
Accrued Payroll Taxes	.63	.58	.40	.18
Accrued Other Taxes	.94	1.00	.87	1.41
Other Accrued Expenses	1.44	1.64	1.75	4.12
Other Current Liabilities	.78	1.21	.90	1.12
Total Current Liabilities	16.95	20.16	19.86	24.57
Notes Due Partners/Officers	4.41	6.00	6.17	4.43
Mortgage Payable	2.77	5.59	4.66	3.44
Long Term Debt	12.97	12.72	11.62	12.79
Other Long Term Liabilities	.27	1.79	1.60	1.87
Total Long Term Liabilities	20.42	26.10	24.05	22.53
Total Liabilities	37.37	46.26	43.91	47.10
Net Worth	62.63	53.74	56.09	52.90
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	8.95%	12.03%	10.24%	11.81%
Active Owner's Return	30.53%	32.43%	30.43%	33.45%
Current Asset Ratio	4.52x	3.73x	3.79x	3.16x
Quick Asset Ratio	1.41x	1.06x	1.05x	.90x
Total Debt to Tangible Net Worth	59.68%	86.06%	78.24%	89.02%
Stock Turn Times	2.34x	2.34x	2.33x	2.73x
Sales to Inventory Ratio	3.62x	3.57x	3.60x	4.12x
Average Inventory per Sq. Ft. Sales Area	$37.05	$30.19	$25.36	$22.48
Net Sales to Accounts Receivable	16.65x	20.44x	20.33x	24.18x
Accounts Receivable — Average Age in Days	21.92	17.86	17.95	15.10
Net Sales to Total Assets	1.88x	1.88x	1.90x	2.25x
Net Sales to Net Worth	3.00x	3.49x	3.39x	4.25x
Net Sales to Net Working Capital	3.15x	3.42x	3.44x	4.24x
Other Operating Data				
Incoming Freight — % of Purchases	1.11%	1.19%	1.02%	.69%
Credit Sales — % of Total Gross Sales	37.57%	33.89%	27.75%	17.76%
Consumer Sales — % of Total Gross Sales	79.81%	82.22%	83.00%	89.26%
Selling Area — Square Feet	2,125	3,818	6,654	15,928
Sales Per Square Foot — Selling Area	$130.00	$95.64	$86.74	$82.72
Total Area — Square Feet	3,867	6,342	9,311	21,591
Sales Per Square Foot — Total Area	$71.44	$57.58	$61.99	$61.02
Sales Per Person Employed	$58,190	$57,628	$56,605	$68,793
Sales Per Customer	$10.38	$6.26	$9.49	$10.00

Type of Ownership

Income Statement Data	Sole-Proprietorship	Partnership	Corporation
Number of Stores	153	49	609
Net Sales Volume	$246,373	$375,447	$633,527
Current Year's Sales vs. Previous Year*	+3.71%	+.72%	+2.53%
Gross Sales	101.63%	103.10%	102.35%
Less: Total Deductions	1.63	3.10	2.35
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.51	66.94	65.39
Margin Before Purchase Rebate or Patronage Dividend	33.49	33.06	34.61
Purchase Rebate or Patronage Dividend	1.06	1.30	1.15
Margin After Purchase Rebate or Patronage Dividend	34.55	34.36	35.76
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	5.37	6.48	5.54
Salaries/Wages — Other Employees	9.95	9.80	11.84
Federal and State Payroll Taxes	.98	.94	1.34
Group Insurance	.51	.55	.62
Benefit Plans	.19	.08	.44
Total Payroll and Other Employee Expense	17.00	17.85	19.78
Occupancy Expense			
Heat, Light, Power, Water	1.50	1.20	1.17
Building Repairs and Maintenance	.12	.07	.16
Rent or Ownership in Real Estate**	3.83	3.18	3.73
Total Occupancy Expense	5.45	4.45	5.06
Other Costs of Doing Business			
Advertising and Promotion	2.32	1.99	2.30
Insurance (Other than Real Estate and Group)	.84	.77	.80
Taxes (Other than Real Estate and Payroll)	.27	.21	.41
Interest (Other than Real Estate)	2.22	1.73	1.69
Depreciation (Other than Real Estate)	.99	.76	.82
All Other Expenses	3.81	3.84	3.63
Total Other Costs of Doing Business	10.45	9.30	9.65
Total Operating Expense	32.90	31.60	34.49
Operating Profit or Loss	1.65	2.76	1.27
Other Income	1.73	1.86	1.38
Net Operating Profit or Loss (Before Income Taxes)	3.38	4.62	2.65
Financial Performance			
Profit on Investment	10.14%	15.35%	10.29%
Active Owner's Return	26.26%	36.91%	31.80%
Current Asset Ratio	4.45x	4.02x	3.45x
Quick Asset Ratio	1.01x	1.30x	.98x
Total Debt to Tangible Net Worth	88.57%	73.22%	90.56%
Stock Turn Times	2.07x	2.49x	2.47x
Sales to Inventory Ratio	3.11x	3.72x	3.78x
Average Inventory per Sq. Ft. Sales Area	$19.21	$24.25	$27.27
Net Sales to Accounts Receivable	26.26x	17.81x	21.20x
Accounts Receivable — Average Age in Days	13.90	20.49	17.22
Net Sales to Total Assets	1.59x	1.92x	2.04x
Net Sales to Net Worth	3.00x	3.33x	3.88x
Net Sales to Net Working Capital	3.02x	3.32x	3.73x
Other Operating Data			
Incoming Freight — % of Purchases	1.44%	1.11%	.90%
Credit Sales — % of Total Gross Sales	24.39%	34.37%	26.51%
Consumer Sales — % of Total Gross Sales	86.52%	82.31%	82.25%
Selling Area — Square Feet	4,220	4,305	6,966
Sales Per Square Foot — Selling Area	$58.38	$87.21	$90.95
Total Area — Square Feet	5,782	6,549	9,928
Sales Per Square Foot — Total Area	$42.61	$57.33	$63.81
Sales Per Person Employed	$52,299	$60,905	$61,776
Sales Per Customer	$7.33	$7.93	$9.04

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Trade Area Size

Income Statement Data	S.M.S.A. Central City	S.M.S.A. Surburban	Cities 10,000 To 50,000	Rural Areas Under 10,000
Number of Stores	108	47	183	445
Net Sales Volume	$716,127	$676,434	$665,754	$450,958
Current Year's Sales vs. Previous Year*	+4.20%	+2.40%	+5.22%	+.53%
Gross Sales	102.22%	103.84%	102.61%	102.01%
Less: Total Deductions	2.22	3.84	2.61	2.01
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	62.91	63.87	65.58	66.88
Margin Before Purchase Rebate or Patronage Dividend	37.09	36.13	34.42	33.12
Purchase Rebate or Patronage Dividend	1.04	1.45	1.13	1.14
Margin After Purchase Rebate or Patronage Dividend	38.13	37.58	35.55	34.26
Payroll and Other Employee Expenses				
Salaries — Owners/Officers/Managers	6.08	6.48	4.98	5.61
Salaries/Wages — Other Employees	12.41	12.88	12.26	10.60
Federal and State Payroll Taxes	1.35	1.45	1.31	1.23
Group Insurance	.69	.71	.52	.62
Benefit Plans	.63	.32	.41	.32
Total Payroll and Other Employee Expenses	21.16	21.84	19.48	18.38
Occupancy Expenses				
Heat, Light, Power, Water	1.13	1.24	1.16	1.25
Building Repairs and Maintenance	.20	.13	.11	.16
Rent or Ownership in Real Estate**	4.12	4.15	3.81	3.41
Total Occupancy Expenses	5.45	5.52	5.08	4.82
Other Costs of Doing Business				
Advertising and Promotion	2.17	2.46	2.38	2.27
Insurance — Other than Real Estate or Group	.74	.68	.81	.82
Taxes — Other than Real Estate or Payroll	.51	.31	.37	.36
Interest — Other than Real Estate	1.18	1.78	1.67	1.92
Depreciation — Other than Real Estate	.88	.72	.74	.88
All Other Expenses	3.69	3.35	3.66	3.60
Total Other Costs of Doing Business	9.13	9.30	9.63	9.85
Total Operating Expenses	35.74	36.66	34.19	33.05
Operating Profit or Loss	2.39	.92	1.36	1.21
Other Income	1.20	1.45	1.27	1.53
Net Operating Profit or Loss (Before Income Taxes)	3.59	2.37	2.63	2.74
Financial Performance				
Profit on Investment	14.45%	8.76%	10.78%	9.65%
Active Owner's Return	38.88%	32.73%	31.17%	29.40%
Current Asset Ratio	3.16x	3.90x	3.32x	3.77x
Quick Asset Ratio	.95x	1.18x	.98x	.99x
Total Debt to Tangible Net Worth	75.56%	85.48%	92.72%	92.75%
Stock Turn Times	2.85x	2.43x	2.61x	2.22x
Sales to Inventory Ratio	4.53x	3.81x	3.98x	3.32x
Average Inventory per Sq. Ft. Sales Area	$28.34	$24.96	$26.47	$25.25
Net Sales to Accounts Receivable	28.25x	24.67x	19.57x	20.49x
Accounts Receivable — Average Age in Days	12.92	14.80	18.65	17.81
Net Sales to Total Assets	2.29x	2.00x	2.13x	1.83x
Net Sales to Net Worth	4.02x	3.70x	4.10x	3.52x
Net Sales to Net Working Capital	4.49x	3.56x	3.92x	3.27x
Other Operating Data				
Incoming Freight — % of Purchases	.52%	.87%	.88%	1.17%
Credit Sales — % of Total Gross Sales	24.32%	19.84%	27.97%	28.09%
Consumer Sales — % of Total Gross Sales	79.48%	86.57%	81.75%	84.31%
Selling Area — Square Feet	6,070	7,647	7,635	5,623
Sales Per Square Foot — Selling Area	$117.98	$88.46	$87.20	$80.20
Total Area — Square Feet	8,538	9,179	10,656	8,272
Sales Per Square Foot — Total Area	$83.88	$73.69	$62.48	$54.52
Sales Per Person Employed	$57,891	$64,851	$60,723	$61,634
Sales Per Customer	$9.49	$9.17	$7.91	$9.06

*As reported to us by Management Report contributors.

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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	391	203	51
Net Sales Volume	$478,270	$750,997	$454,853
Current Year's Sales vs. Previous Year*	+1.69%	+3.27%	+4.19%
Gross Sales	102.00%	102.84%	101.01%
Less: Total Deductions	2.00	2.84	1.01
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.53	65.03	67.21
Margin Before Purchase Rebate or Patronage Dividend	34.47	34.97	32.79
Purchase Rebate or Patronage Dividend	.97	1.26	.74
Margin After Purchase Rebate or Patronage Dividend	35.44	36.23	33.53
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	5.48	5.86	6.56
Salaries/Wages — Other Employees	11.73	11.54	9.36
Federal and State Payroll Taxes	1.29	1.29	1.28
Group Insurance	.65	.53	.63
Benefit Plans	.46	.33	.52
Total Payroll and Other Employee Expense	19.61	19.55	18.35
Occupancy Expense			
Heat, Light, Power, Water	1.13	1.23	1.20
Building Repairs and Maintenance	.16	.17	.19
Rent or Ownership in Real Estate**	3.39	3.93	3.89
Total Occupancy Expense	4.68	5.33	5.28
Other Costs of Doing Business			
Advertising and Promotion	2.23	2.40	2.01
Insurance (Other than Real Estate and Group)	.92	.62	.67
Taxes (Other than Real Estate and Payroll)	.39	.45	.37
Interest (Other than Real Estate)	1.48	1.72	2.03
Depreciation (Other than Real Estate)	.74	.83	.82
All Other Expenses	3.94	3.34	3.21
Total Other Costs of Doing Business	9.70	9.36	9.11
Total Operating Expense	33.99	34.24	32.74
Operating Profit or Loss	1.45	1.99	.79
Other Income	1.54	1.22	1.15
Net Operating Profit or Loss (Before Income Taxes)	2.99	3.21	1.94
Financial Performance			
Profit on Investment	9.96%	13.26%	7.56%
Active Owner's Return	28.20%	37.48%	33.09%
Current Asset Ratio	3.70x	3.61x	2.87x
Quick Asset Ratio	1.08x	.99x	.65x
Total Debt to Tangible Net Worth	76.93%	85.45%	112.97%
Stock Turn Times	2.39x	2.60x	2.31x
Sales to Inventory Ratio	3.65x	4.99x	3.44x
Average Inventory per Sq. Ft. Sales Area	$25.67	$25.97	$25.33
Net Sales to Accounts Receivable	17.07x	28.05x	29.67x
Accounts Receivable — Average Age in Days	21.38	13.01	12.30
Net Sales to Total Assets	1.88x	2.23x	1.83x
Net Sales to Net Worth	3.33x	4.13x	3.89x
Net Sales to Net Working Capital	3.45x	3.92x	4.01x
Other Operating Data			
Incoming Freight — % of Purchases	1.11%	.83%	.48%
Credit Sales — % Total Gross Sales	35.05%	17.32%	20.28%
Consumer Sales — % of Total Gross Sales	83.01%	82.99%	84.63%
Selling Area — Square Feet	5,803	7,580	5,808
Sales Per Square Foot — Selling Area	$82.42	$99.08	$78.31
Total Area — Square Feet	8,820	9,729	7,996
Sales Per Square Foot — Total Area	$54.23	$77.19	$56.89
Sales Per Person Employed	$59,221	$61,825	$68,839
Sales Per Customer	$9.23	$8.46	$10.19

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

Store Location: Part II

Income Statement Data	Shopping Center: Neighborhood	Shopping Center: Community or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	104	70	100	366
Net Sales Volume	$585,114	$597,675	$656,654	$520,638
Current Year's Sales vs. Previous Year*	+2.95%	+4.75%	+5.12%	+.69%
Gross Sales	102.48%	103.43%	101.82%	102.31%
Less: Total Deductions	2.48	3.43	1.82	2.31
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.99	64.48	67.70	65.06
Margin Before Purchase Rebate or Patronage Dividend	35.01	35.52	32.30	34.94
Purchase Rebate or Patronage Dividend	1.17	1.29	1.14	1.07
Margin After Purchase Rebate or Patronage Dividend	36.18	36.81	33.44	36.01
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.40	5.50	4.65	6.02
Salaries/Wages — Other Employees	11.43	11.24	11.43	11.68
Federal and State Payroll Taxes	1.40	1.21	1.18	1.33
Group Insurance	.69	.47	.54	.62
Benefit Plans	.52	.39	.49	.37
Total Payroll and Other Employee Expense	19.44	18.81	18.29	20.02
Occupancy Expense				
Heat, Light, Power, Water	1.38	1.23	1.14	1.14
Building Repairs and Maintenance	.23	.14	.12	.17
Rent or Ownership in Real Estate**	4.75	4.24	3.20	3.41
Total Occupancy Expense	6.36	5.61	4.46	4.72
Other Costs of Doing Business				
Advertising and Promotion	2.50	2.41	2.32	2.18
Insurance (Other than Real Estate and Group)	.65	.74	.74	.84
Taxes (Other than Real Estate and Payroll)	.27	.41	.37	.45
Interest (Other than Real Estate)	1.60	2.03	1.61	1.53
Depreciation (Other than Real Estate)	.90	.82	.74	.78
All Other Expenses	3.76	3.49	3.40	3.63
Total Other Costs of Doing Business	9.68	9.90	9.18	9.41
Total Operating Expense	35.48	34.32	31.93	34.15
Operating Profit or Loss	.70	2.49	1.51	1.86
Other Income	.86	1.34	1.51	1.52
Net Operating Profit or Loss (Before Income Taxes)	1.56	3.83	3.02	3.38
Financial Performance				
Profit on Investment	7.26%	14.83%	11.56%	11.22%
Active Owner's Return	32.42%	36.16%	29.36%	31.20%
Current Asset Ratio	2.94x	3.57x	3.33x	3.82x
Quick Asset Ratio	.71x	.96x	1.00x	1.12x
Total Debt to Tangible Net Worth	109.72%	87.61%	93.48%	73.50%
Stock Turn Times	2.53x	2.33x	2.60x	2.41x
Sales to Inventory Ratio	3.89x	3.61x	3.84x	3.71x
Average Inventory per Sq. Ft. Sales Area	$23.59	$26.22	$28.74	$25.84
Net Sales to Accounts Receivable	33.91x	21.88x	20.82x	19.19x
Accounts Receivable — Average Age in Days	10.76	16.68	17.53	19.02
Net Sales to Total Assets	2.22x	2.07x	1.98x	1.91x
Net Sales to Net Worth	4.66x	3.88x	3.83x	3.32x
Net Sales to Net Working Capital	4.42x	3.56x	3.79x	3.45x
Other Operating Data				
Incoming Freight — % of Purchases	1.00%	.84%	.90%	.98%
Credit Sales — % of Total Gross Sales	17.71%	18.18%	31.64%	27.47%
Consumer Sales — % of Total Gross Sales	86.65%	86.16%	77.12%	83.08%
Selling Area — Square Feet	6,486	8,771	6,382	5,777
Sales Per Square Foot — Selling Area	$90.21	$68.14	$102.89	$90.12
Total Area — Square Feet	8,574	11,498	10,107	8,317
Sales Per Square Foot — Total Area	$68.24	$51.98	$64.97	$62.60
Sales Per Person Employed	$56,501	$61,788	$68,028	$59,429
Sales Per Customer	$7.91	$7.32	$11.22	$8.99

*As reported to us by Management Report contributors.
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Geographical Region

1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

*As reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

Income Statement Data	1 New England
Number of Stores	94
Net Sales Volume	$514,950
Current Year's Sales vs. Previous Year*	+4.95%
Gross Sales	101.84%
Less: Total Deductions	1.84
Net Sales	100.00%
Cost of Goods Sold	65.25
Margin Before Purchase Rebate or Patronage Dividend	34.75
Purchase Rebate or Patronage Dividend	.89
Margin After Purchase Rebate or Patronage Dividend	35.64
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	4.93
Salaries/Wages — Other Employees	12.26
Federal and State Payroll Taxes	1.48
Group Insurance	.80
Benefit Plans	.26
Total Payroll and Other Employee Expense	19.73
Occupancy Expense	
Heat, Light, Power, Water	1.12
Building Repairs and Maintenance	.12
Rent or Ownership in Real Estate**	3.90
Total Occupancy Expense	5.14
Total Costs of Doing Business	
Advertising and Promotion	1.73
Insurance (Other than Real Estate and Group)	.87
Taxes (Other than Real Estate and Payroll)	.18
Interest (Other than Real Estate)	1.41
Depreciation (Other than Real Estate)	.99
All Other Expenses	4.14
Total Other Costs of Doing Business	9.32
Total Operating Expense	34.19
Operating Profit or Loss	1.45
Other Income	1.88
Net Operating Profit or Loss (Before Income Taxes)	3.33
Financial Performance	
Profit on Investment	13.66%
Active Owner's Return	33.84%
Current Asset Ratio	3.22x
Quick Asset Ratio	1.05x
Total Debt to Tangible Net Worth	104.21%
Stock Turn Times	2.64x
Sales to Inventory Ratio	4.05x
Average Inventory Per Sq. Ft. Sales Area	$33.10
Net Sales to Accounts Receivable	19.28x
Accounts Receivable — Average Age in Days	18.93
Net Sales to Total Assets	2.00x
Net Sales to Net Worth	4.09x
Net Sales to Net Working Capital	3.81x
Other Operating Data	
Incoming Freight — % of Purchases	.73%
Credit Sales — % of Total Gross Sales	38.88%
Consumer Sales — % of Total Gross Sales	80.65%
Selling Area — Square Feet	4,096
Sales Per Square Foot — Selling Area	$125.72
Total Area — Square Feet	7,124
Sales Per Square Foot — Total Area	$72.28
Sales Per Person Employed	$62,749
Sales Per Customer	$6.35

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Geographical Region

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
76	72	311	26	154	23	18	41
$521,203	$541,996	$557,877	$495,488	$507,141	$867,052	$733,383	$479,689
+11.51%	-.34%	+.63%	+.19%	+4.09%	+.71%	+4.84%	-.40%
100.68%	100.95%	103.03%	103.17%	102.97%	101.54%	101.50%	101.66%
.68	.95	3.03	3.17	2.97	1.54	1.50	1.66
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64.25	64.53	66.13	66.89	66.59	63.27	65.63	63.02
35.75	35.47	33.87	33.11	33.41	36.73	34.37	36.98
.79	.57	1.79	.91	.80	.55	.39	.75
36.54	36.04	35.66	34.02	34.21	37.28	34.76	37.73
5.84	6.16	5.53	4.77	5.57	4.79	5.71	7.18
11.29	12.07	11.59	11.39	10.52	13.02	11.96	11.32
1.46	1.31	1.31	1.07	1.18	.85	1.23	1.41
.64	.54	.72	.49	.38	.46	.39	.49
.88	.29	.40	.22	.27	.47	.79	.32
20.11	20.37	19.55	17.94	17.92	19.59	20.08	20.72
1.28	1.04	1.37	.90	1.20	.84	.78	1.01
.26	.17	.12	.20	.15	.06	.15	.22
3.31	3.37	4.01	2.44	3.64	3.09	3.56	4.12
4.85	4.58	5.50	3.54	4.99	3.99	4.49	5.35
2.08	1.69	2.81	1.47	2.41	1.17	2.20	2.09
.95	.73	.76	.71	.84	.91	.40	.84
.41	.50	.42	.62	.26	.66	.32	.45
1.00	1.29	1.99	1.55	2.40	.86	1.10	1.39
.63	.73	.90	.69	.85	.75	.59	.89
3.36	3.25	3.73	4.05	3.25	3.78	4.18	4.40
8.43	8.19	10.61	9.09	10.01	8.13	3.79	10.06
33.39	33.14	35.66	30.57	32.92	31.71	33.36	36.13
3.15	2.90	.00	3.45	1.29	5.57	1.40	1.60
1.14	1.13	1.50	1.84	1.08	2.22	1.72	.98
4.29	4.03	1.50	5.29	2.37	7.79	3.12	2.58
13.97%	15.06%	6.20%	16.21%	9.02%	19.91%	11.46%	8.84%
32.99%	38.11%	29.16%	30.84%	30.23%	32.15%	32.42%	33.44%
3.29x	3.18x	3.43x	3.13x	3.45x	9.15x	5.40x	4.88x
.95x	.97x	.89x	1.29x	.79x	3.72x	1.54x	1.19x
67.75%	81.43%	110.87%	76.73%	81.87%	36.74%	78.34%	82.71%
2.55x	2.65x	2.32x	2.64x	2.34x	2.71x	2.78x	2.17x
3.96x	4.11x	3.50x	3.95x	3.51x	4.29x	4.24x	3.45x
$29.98	$27.07	$25.17	$25.82	$22.57	$24.39	$30.58	$29.80
17.48x	18.94x	25.89x	15.78x	22.06x	15.13x	20.85x	22.19x
20.88	19.27	14.10	23.13	16.55	24.12	17.51	16.45
1.94x	2.06x	1.97x	1.74x	2.09x	1.87x	2.06x	1.87x
3.26x	3.74x	4.16x	3.07x	3.81x	2.55x	3.67x	3.42x
3.87x	4.06x	3.62x	3.33x	3.76x	2.76x	3.58x	3.16x
.82%	.37%	1.12%	.72%	1.14%	.45%	1.68%	.88%
29.38%	33.72%	24.78%	49.47%	13.61%	30.29%	29.41%	30.20%
80.70%	75.64%	83.85%	79.83%	87.44%	84.43%	80.06%	89.06%
4,555	5,945	6,714	5,795	7,772	8,597	5,908	5,362
$114.42	$91.17	$83.09	$85.50	$65.25	$100.86	$124.13	$89.46
7,218	8,926	9,701	8,545	9,384	12,431	8,532	6,771
$72.21	$60.72	$57.51	$57.99	$54.04	$69.75	$85.96	$70.84
$57,165	$57,432	$58,752	$66,242	$65,029	$63,945	$73,338	$60,213
$8.47	$9.29	$7.52	$22.13	$9.00	$11.92	$10.86	$9.37

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	724	91
Net Sales Volume	$555,973	$459,434
Current Year's Sales vs. Previous Year*	+2.73%	+1.13%
Gross Sales	102.42%	101.44%
Less: Total Deductions	2.42	1.44
Net Sales	100.00%	100.00%
Cost of Goods Sold	65.63	64.75
Margin Before Purchase Rebate or Patronage Dividend	34.37	35.25
Purchase Rebate or Patronage Dividend	1.17	.99
Margin After Purchase Rebate or Patronage Dividend	35.54	36.24
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	5.71	4.26
Salaries/Wages — Other Employees	11.38	13.27
Federal and State Payroll Taxes	1.29	1.29
Group Insurance	.62	.51
Benefit Plans	.41	.34
Total Payroll and Other Employee Expense	19.41	19.67
Occupancy Expense		
Heat, Light, Power, Water	1.21	1.18
Building Repairs and Maintenance	.15	.17
Rent or Ownership in Real Estate**	3.67	4.14
Total Occupancy Expense	5.03	5.49
Other Costs of Doing Business		
Advertising and Promotion	2.31	2.14
Insurance (Other than Real Estate and Group)	.80	.77
Taxes (Other than Real Estate and Payroll)	.39	.38
Interest (Other than Real Estate)	1.72	1.80
Depreciation (Other than Real Estate)	.85	.76
All Other Expenses	3.66	3.70
Total Other Costs of Doing Business	9.73	9.55
Total Operating Expense	34.17	34.71
Operating Profit or Loss	1.37	1.53
Other Income	1.45	1.16
Net Operating Profit or Loss (Before Income Taxes)	2.82	2.69
Financial Performance		
Profit on Investment	10.48%	11.65%
Active Owner's Return	31.70%	30.07%
Current Asset Ratio	3.59x	3.19x
Quick Asset Ratio	1.00x	.93x
Total Debt to Tangible Net Worth	87.99%	108.15%
Stock Turn Times	2.41x	2.57x
Sales to Inventory Ratio	3.68x	3.97x
Average Inventory per Sq. Ft. Sales Area	$25.01	$41.60
Net Sales to Accounts Receivable	21.83x	18.24x
Accounts Receivable — Average Age in Days	16.72	20.01
Net Sales to Total Assets	1.98x	2.08x
Net Sales to Net Worth	3.71x	4.33x
Net Sales to Net Working Capital	3.60x	3.97x
Other Operating Data		
Incoming Freight — % of Purchases	1.00%	.55%
Credit Sales — % of Total Gross Sales	26.98%	23.80%
Consumer Sales — % of Total Gross Sales	83.42%	81.49%
Selling Area — Square Feet	6,144	7,224
Sales Per Square Foot — Selling Area	$90.49	$63.60
Total Area — Square Feet	8,571	11,246
Sales Per Square Foot — Total Area	$64.87	$40.85
Sales Per Person Employed	$60,709	$61,909
Sales Per Customer	$9.07	$7.03

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Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardlines retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies through the use of financial ratio analysis the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory levels through a careful review of the level of all items, trim slow moving items, eliminate obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

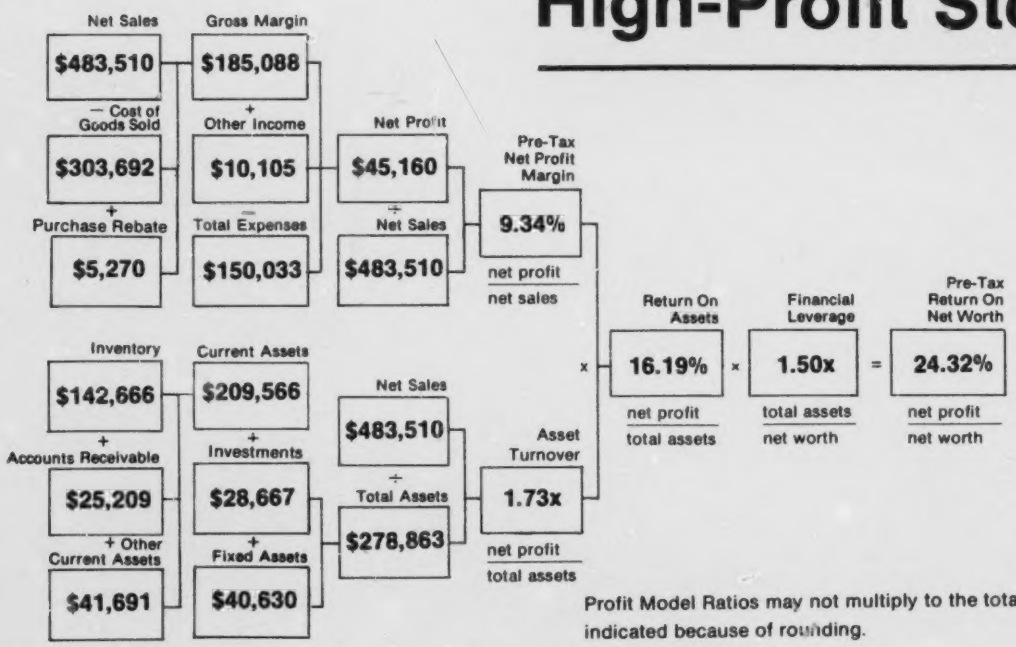
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than industry average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores



Profit Model Ratios may not multiply to the totals indicated because of rounding.

Departmental Sales

The Departmental Sales section of the Financial Report offers a variety of information for fourteen major departments carried in the hardlines industry's retail outlets.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Hardling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand Tools, Paint & Home Decorating and Automotive Supplies. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

$$\text{Hardware} \quad \frac{15.0}{50.0} = 30.0\%$$

$$\text{Hand Tools} \quad \frac{10.0}{50.0} = 20.0\%$$

$$\text{Paint \& Home Decorating} \quad \frac{20.0}{50.0} = 40.0\%$$

$$\text{Automotive Supplies} \quad \frac{5.0}{50.0} = 10.0\%$$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint & Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space, inventory and cost of goods sold.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page, examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: hardware, plumbing, heating & cooling and electrical supplies. Margin evaluations alone would indicate major appliances & home entertainment to be below average performance.

An additional measure is the sales to inventory ratio (net sales divided by average inventory at cost). On the basis of this ratio alone, electrical supplies, lawn & garden and miscellaneous goods exceed all the other department averages.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio. Lawn and Garden's GMROI, for example, is 1.48 which means $1.48 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditionally low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold
Hardware	100.0	19.7	17.2	18.9	17.6	99.54	19.7	17.2	18.9	17.6
Hand Tools	100.0	5.2	5.8	5.9	5.8	77.88	5.2	5.8	5.8	5.8
Power Tools & Accessories	100.0	3.0	3.3	3.4	3.5	79.01	3.0	3.3	3.4	3.5
Plumbing, Heating & Cooling	100.0	11.0	10.7	11.4	11.3	89.38	11.0	10.7	11.4	11.3
Electrical Supplies	100.0	7.6	7.0	7.2	7.4	94.39	7.6	7.0	7.2	7.4
Paint & Home Decorating	94.7	12.5	12.5	11.4	11.5	86.92	11.8	12.3	11.3	11.4
Lumber	12.3	4.9	3.4	1.8	2.8	125.42	.6	.4	.5	.5
Building Materials	24.9	8.4	7.9	4.4	6.6	92.33	2.0	1.5	1.6	1.7
Lawn & Garden	88.7	12.9	12.1	12.4	14.1	92.66	11.3	11.2	10.8	12.6
Housewares	88.0	11 2	15.0	12.7	10.4	64.89	9.8	13.8	11.8	10.0
Automotive Supplies	60.5	4.4	4.5	4.4	3.9	85.07	2.6	3.1	2.7	2.7
Major Appliances & Home Entertainment	34.6	9.3	7.6	10.0	9.3	106.30	3.2	2.8	3.0	3.3
Sporting Goods & Outdoor Living	70.1	6.5	5.7	6.1	5.6	98.99	4.5	4.3	4.8	4.4
Miscellaneous Goods	69.8	11.6	10.3	10.2	10.3	97.90	7.7	6.6	6.8	7.8
							100.0	100.0	100.0	100.0

Productivity

Department	Typical Store Profile: Gross Margin %	Sales To Inventory Ratio	GMROI
Hardware	43.5	3.6x	1.57
Hand Tools	37.2	3.8x	1.41
Power Tools & Accessories	34.3	3.8x	1.30
Plumbing, Heating & Cooling	41.8	3.9x	1.63
Electrical Supplies	41.2	4.0x	1.65
Paint & Home Decorating	39.8	3.9x	1.55
Lumber	35.8	3.0x	1.07
Building Materials	39.2	3.0x	1.18
Lawn & Garden	34.5	4.3x	1.48
Housewares	36.6	3.1x	1.13
Automotive Supplies	36.4	3.8x	1.38
Major Appliances & Home Entertainment	26.6	3.8x	1.01
Sporting Goods & Outdoor Living	34.5	3.2x	1.10
Miscellaneous Goods	34.5	4.2x	1.45

New Store Data

To determine the feasibility of a new hardware store, four distinct planning phases are required:

—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

Phase I
As the ultimate criterion of feasibility for a proposed hardware operation will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new retail hardware store can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's Management Report to estimate sales volumes, gross margins, salaries and other costs of doing business to project Net Profits and Return on Investment for the proposed hardware operation. An important fact to remember is that there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

Phase II
Site Location
The market area to be served by the proposed hardware operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail hardware store location. These aspects are listed below.

Shopping Pull — Businesses in the area which would help draw consumers to the area.

Parking Facilities — Adequate parking requires two to two and a half square feet of parking area for every square foot of selling area.

Walk-In Traffic
Traffic Count and Patterns
Accessibility
Visibility
Congestion
Shopping Ease — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

Ingress and Egress — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

Primary Trade Area
After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundaries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, driving time to site location, the proximity of retail activity concentrations and natural or manmade barriers.

Size — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

Driving Time — Typically a 5,000 square foot store can draw consumers within a 5 to 10 minutes driving time, a 10,000 square foot store drawing within 10 to 15 minutes driving time.

Other Retail Stores — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

Barriers — Barriers affecting accessibility to a selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new hardware store within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

Consumer Analysis
From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumers' propensity to spend on hardlines.

Population Growth Rate — A favorable environment for a new hardware store requires that the Primary Trade Area experience a minimum of .5 percent annual increase in population.

Income Levels — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

Type of Housing — Consumers who own their own homes will spend more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

Competitive Analysis
Although consumer demographic variables may indicate a healthy environment for a new retail hardware store, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines sales represent approximately 65 to 85 percent of the total sales volume for an average hardware store. Primary hardlines include: hardware, tools, electrical, plumbing, lawn and garden, paint and paint sundries. As the primary hardlines represent the substantial majority of sales for a hardware store, an analysis to determine the feasibility of a new store should focus on these lines.

Retail stores which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating that the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying, and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a full line hardware store, the merchandise mix must include hardware, tools, plumbing, electrical, lawn/garden, paint and paint sundries. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Auto Supplies — average to above average.

Illustration	Hdwe.	Tools	Elec.	Plbg.	Lawn/ Gdn.	Paint	Sun- dries	Auto Splys.
Site Area								
Variety Store	1	1	2	1	3	2	1	2
Drug Store			1		1			
Downtown								
Home Center	5	4	5	4	4	5	5	3
Paint Store						5	2	
Auto Supplies		1	1					5
East								
Hardware Store	4	3	4	2	5	3	3	4
K-Mart	4	5	3	3	5	5	4	5
Lumber Outlet	2	1	2	2	1	3	3	
South								
Sears	4	5	4	4	5	5	4	5
Penney	3	4	4	3	4	4	3	5
Sherwin Williams					5	5		
Super Drugs	2	1	1	2	3	2	1	2
Total	25	25	27	21	36	39	26	26
# Of Competitors	8	9	10	8	10	10	9	8

Phase III

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities, etc. For those expense items that cannot be determined, NRHA's The Management Report will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new store will take three years to reach maximum productivity and efficiency or what is termed "store maturity". Therefore do not be overly optimistic on setting performance goals. Based on 1982 dollars, the average new retail hardware store will achieve sales volumes of only $60 to $70 per square foot in the first year of operation with a second year productivity of $70 to $80 per square foot.

Phase IV

Through a combined analysis of all planning phases, the consumer store image is developed.

Owner's Economic Constraints
Customer Identification
Posture of Major Competitors
will determine
Size of Facility
Merchandise Mix
Service Level
Price Statement
will determine
Store Layout, Design and Decor
which relays
Consumer Store Image

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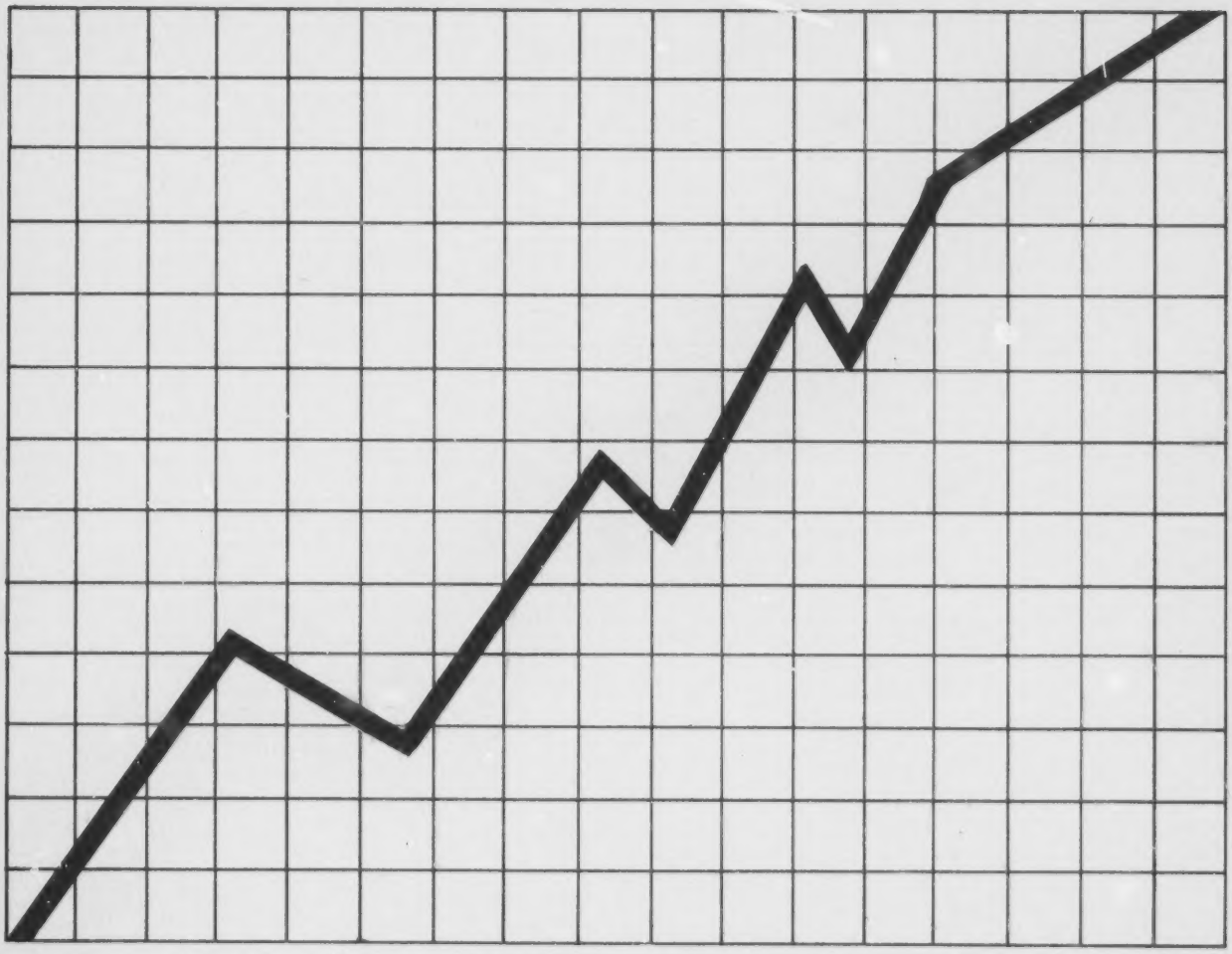
1983
The Bottom Line

For Retail Home Centers



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Home Center Institute

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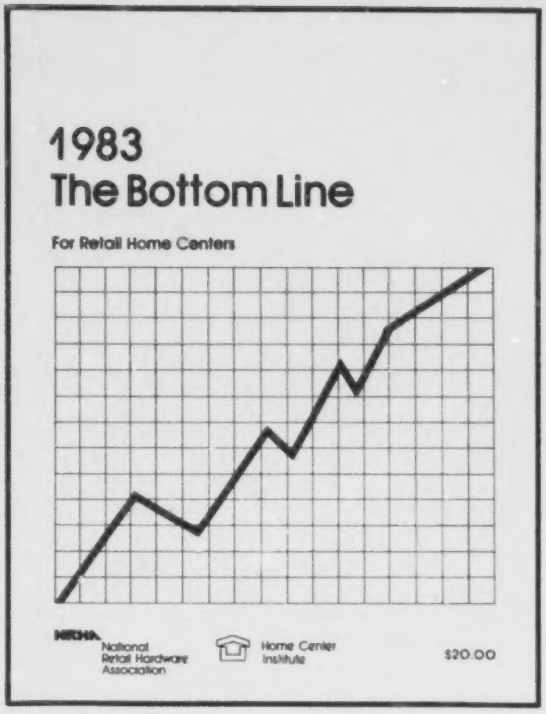

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National Retail Hardware Association/Home Center Institute

Introduction

Bottom Line

The 1983 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives; to assess the financial performance of the home center industry in 1982; to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the industry.

Four Major Sections

The Bottom Line Report is divided into four major sections, Average Operating Results, Strategic Profit Model, Departmental Sales, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales,** information is presented on the percent of stores handling major departments found in retail home center stores. The percent of net sales, sales floor, inventory and cost of goods sold are outlined both for handling firms only and for an average store profile. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

In **New Store Data,** information on the required planning phases for new store development is presented.

Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area Size
—Store Location: Part I
—Store Location: Part II
—Number of Stores

Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provided us with detailed information on their operation. Confidential mail questionnaires were sent to home center operators the end of February. One hundred ninety-two usable returns were received by June 1, 1983 in time for inclusion in this year's report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** The data was keypunched by a service bureau and then processed by our own data processing department.

As thanks for their contributive efforts, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to the The Bottom Line are the Management Report for retail hardware stores and the Lumber/Building Material Financial Report for consumer-oriented outlets. Each segment of the concentrated hardgoods market is provided with its own cost-of-doing business comparison manual.

For Assistance

Assistance and aid in interpreting the 1983 Bottom Line Report may be obtained from your regional Hardware Association.

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Highlights

The average Net Sales per store increased to $2,394,983 for 1982, a 19.7 percent increase over the average last year. Those dealers that submitted data for the survey reported an average increase in sales of only 7.03 percent, however, indicating that the average is up due mainly to the participation of higher volume stores. Gross margin is up over last year's figure by a healthy 2 points. Expenses are also up, however, producing a bottom line only slightly higher than the previous year's.

Type of Home Center	Net Sales $	Sales Increase Over 1981* %	Margin %	Net Profit On Sales %	Net Profit On Investment %	Stock Turns x
All Home Centers	2,394,983	+7.03	30.89	2.60	11.11	3.73
Low Profit	1,934,891	+5.13	26.98	(2.45)	(12.87)	3.22
High Profit	3,410,107	+15.40	34.84	6.02	17.53	3.43
Sales Volume Size						
Under $1,000,000	758,458	+9.38	34.30	2.26	9.89	2.60
$1,000,000 to $2,999,999	1,887,013	+2.41	29.92	2.09	11.14	3.96
$3,000,000 or More	4,684,511	+10.72	31.23	3.06	11.22	3.75
Sales Floor Size						
Under 10,000 Sq. Ft.	1,055,600	+4.79	32.19	3.74	15.11	3.29
10,000 to 19,999 Sq. Ft.	2,176,690	+4.20	28.75	1.37	7.36	4.07
20,000 Sq. Ft. or More	3,771,538	+11.40	33.35	4.09	13.88	3.47
Type of Origin						
Originally Hardware	2,394,505	+15.74	35.17	4.51	14.57	3.22
Originally Lumber/Building Material	2,393,539	+1.62	28.21	1.91	11.54	4.35
Organized as Home Center	2,346,894	+9.36	32.08	3.82	36.25	6 71
Trade Area Size						
S.M.S.A.	3,065,116	+9.90	32.80	3.22	13.68	3.61
Cities 10,000 to 50,000	1,962,836	+10.07	28.75	.72	2.37	3.39
Rural Areas Under 10,000	1,805,308	-.82	28.01	2.36	11.87	4.32
Store Location: Part I						
Downtown	1,633,376	+3.55	32.12	1.61	7.42	3.30
Suburban	2,714,573	+8.17	31.14	2.92	13.47	3.86
Rural	1,384,970	-.18	28.25	3.34	15.48	3.34
Store Location: Part II						
Shopping Centers—Neighborhood	4,309,872	+20.03	36.30	5.36	15.43	3.21
Shopping Centers—Community or Regional	2,087,392	+12.73	29.40	.26	2.86	3.68
Free-Standing—No Stores Adjacent	1,752,304	+3.95	30.20	2.25	11.67	3.91
Free-Standing—Stores Nearby	2,425,614	+.98	28.59	2.30	12.19	4.24

*As reported to us by contributing dealers.

Monthly Sales

Shown below are the industry average percent of sales by month. As usual, the summer and fall months lead in the percent of sales breakdown. In order to stimulate sales during the late winter and early spring months dealers should take advantage of more special promotions and co-op advertising programs offered.

	%
January	6.0
February	5.6
March	7.0
April	8.2
May	9.2
June	8.9
July	9.8
August	9.5
September	9.0
October	9.2
November	8.4
December	9.2

Average Operating Results

Income Statement Data

The Income Statement presents, in a single format, revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/ benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Equipment Repairs and Maintenance — All charges for incidental repairs which keep the equipment in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

All Home Centers

Income Statement Data	All Home Centers	Low Profit Centers	High Profit Centers
Number of Stores	192	47	47
Net Sales Volume	$2,394,983	$1,934,891	$3,410,107
Current Year's Sales vs. Previous Year*	+7.03%	+5.13%	+15.40%
Gross Sales	102.43%	102.47%	103.13%
Less: Total Deductions	2.43	2.47	3.13
Net Sales	100.0%	100.00%	100.00%
Cost of Goods Sold	69.46	73.54	65.28
Margin Before Purchase Rebate or Patronage Dividend	30.54	26.46	34.72
Purchase Rebate or Patronage Dividend	.35	.52	.12
Margin After Purchase Rebate or Patronage Dividend	30.89	26.98	34.84
Payroll and Other Employee Expenses			
Salaries — Owners, Officers, Managers	2.90	3.20	2.62
Salaries/Wages — Other Employees	12.35	12.28	13.83
Federal and State Payroll Taxes	1.23	1.10	1.49
Group Insurance	.70	.71	.99
Benefit Plans	.56	.42	.34
Total Payroll and Other Employee Expenses	17.74	17.71	19.27
Occupancy Expenses			
Heat, Light, Power, Water	.80	.93	.82
Building Repairs and Maintenance	.31	.19	.35
Rent or Ownership in Real Estate**	2.68	3.33	2.51
Total Occupancy Expenses	3.79	4.45	3.68
Other Costs of Doing Business			
Office Supplies and Postage	.44	.54	.55
Advertising and Promotion	2.18	2.11	2.18
Donations	.05	.03	.07
Telephone and Telegraph	.31	.41	.28
Bad Debts	.33	.23	.27
Credit Card Expense (Bank Charges)	.19	.06	.34
Delivery Expenses (Other than Wages)	.47	.61	.27
Leasing Expenses (Non-Occupancy)	.24	.09	.16
Insurance (Other than Real Estate and Group)	.47	.50	.33
Taxes (Other than Real Estate and Payroll)	.34	.36	.31
Equipment Repairs and Maintenance	.31	.35	.24
Interest (Other than Real Estate)	1.00	1.56	.31
Depreciation (Other than Real Estate)	.76	.86	.80
Store and Shop Supplies	.44	.32	.73
Legal and Accounting	.30	.19	.28
Computer Services and Expenses (Other than Wages)	.13	.24	.11
Dues and Subscriptions	.05	.06	.02
Travel, Buying, Entertainment	.20	.20	.21
Miscellaneous Services (Laundry, Disposal, Etc.)	.09	.19	.07
Unclassified Expenses	.24	.22	.05
Total Other Costs of Doing Business	8.54	9.13	7.58
Total Operating Expenses	30.07	31.29	30.53
Operating Profit or Loss	.82	(4.31)	4.31
Other Income	1.78	1.86	1.71
Net Operating Profit or Loss (Before Income Taxes)	2.60	(2.45)	6.02

*As reported to us by Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

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All Home Centers

Balance Sheet Data	All Home Centers	Low Profit Centers	High Profit Centers
Total Dollar Assets	$1,051,155	$1,016,735	$1,677,362
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.34	2.23	1.33
Notes and Installment Contracts Receivable	3.75	5.50	2.81
Accounts Receivable	13.64	13.05	11.64
Merchandise Inventory (End of Year)	43.34	43.70	40.07
Other Current Assets	2.15	3.02	1.13
Total Current Assets	66.22	67.50	56.98
Stocks and Bonds	1.98	1.89	.99
Real Estate (Not Used In Business)	.52	1.32	.10
Other Investments	3.48	6.76	2.10
Total Investments	5.98	9.97	3.19
Land (Owned and Used In Business)	4.92	4.67	7.98
Buildings (Owned and Used In Business Less Depreciation)	10.43	8.22	15.76
Leasehold Improvements (Less Amortization Allowance)	3.33	1.83	6.54
Furniture, Fixtures, Equipment (Owned and Used in Business less Depreciation)	6.13	4.66	7.81
Delivery Equipment (Owned and Used in Business less Depreciation)	1.52	1.62	1.40
Other Fixed Assets	1.47	1.53	.34
Total Fixed Assets	27.80	22.53	39.83
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.80	12.09	13.63
Current Portion of Notes Payable	6.36	10.59	1.39
Accrued Payroll Taxes	.42	.31	.58
Accrued Other Taxes	2.34	.89	4.01
Other Accrued Expenses	1.78	1.34	1.71
Other Current Liabilities	5.72	17.54	1.06
Total Current Liabilities	30.42	42.76	22.38
Notes Due Partners/Officers	2.91	2.60	1.23
Mortgage Payable	2.78	4.32	.77
Long Term Debt	9.26	11.64	5.34
Other Long Term Liabilities	1.17	2.28	.42
Total Long Term Liabilities	16.12	20.84	7.76
Total Liabilities	46.54	63.60	30.14
Net Worth	53.46	36.40	69.86
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	11.11%	(12.87%)	17.53%
Active Owner's Return	23.48%	3.87%	25.16%
Current Asset Ratio	2.18x	1.58x	2.55x
Quick Asset Ratio	.75x	.56x	.76x
Total Debt to Tangible Net Worth	87.07%	174.77%	43.12%
Stock Turn Times	3.73x	3.22x	3.43x
Sales to Inventory Ratio	5.37x	4.38x	5.26x
Average Inventory per Sq. Ft. Sales Area	$50.67	$40.78	$68.76
Net Sales to Accounts Receivable	16.71x	14.59x	17.46x
Accounts Receivable — Average Age in Days	21.84	25.02	20.90
Net Sales to Total Assets	2.28x	1.90x	2.03x
Net Sales to Net Worth	4.26x	5.23x	2.91x
Net Sales to Net Working Capital	6.36x	7.69x	5.87x
Other Operating Data			
Incoming Freight — % of Purchases	.25%	.33%	.15%
Credit Sales — % of Total Gross Sales	42.79%	50.49%	38.41%
Consumer Sales — % of Total Gross Sales	71.41%	67.77%	65.87%
Inventory - % Stored in Central Warehouse	20.34%	19.80%	31.17%
Selling Area — Square Feet	16,540	16,310	22,461
Sales Per Square Foot — Selling Area	$144.80	$118.63	$151.82
Total Area — Square Feet	27,149	25,551	41,875
Sales Per Square Foot — Total Area	$88.22	$75.73	$81.44
Sales Per Person Employed	$83,003	$83,599	$74,930
Sales Per Customer	$19.97	$28.65	$15.11

Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $2,999,999	Sales $3,000,000 Or More
Number of Stores	40	101	51
Net Sales Volume	$758,458	$1,887,013	$4,684,511
Current Year's Sales vs. Previous Year*	+9.38%	+2.41%	+10.72%
Gross Sales	102.74%	102.23%	102.56%
Less: Total Deductions	2.74	2.23	2.56
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.70	70.56	68.93
Margin Before Purchase Rebate or Patronage Dividend	33.30	29.44	31.07
Purchase Rebate or Patronage Dividend	1.00	.48	.16
Margin After Purchase Rebate or Patronage Dividend	34.30	29.92	31.23
Payroll and Other Employee Expenses			
Salaries — Owners, Officers, Managers	5.19	3.25	2.33
Salaries/Wages — Other Employees	10.50	11.59	13.20
Federal and State Payroll Taxes	1.25	1.09	1.34
Group Insurance	.57	.52	.86
Benefit Plans	.40	.74	.43
Total Payroll and Other Employee Expenses	17.91	17.19	18.16
Occupancy Expenses			
Heat, Light, Power, Water	1.05	.80	.77
Building Repairs and Maintenance	.19	.29	.35
Rent or Ownership in Real Estate**	4.63	2.82	2.31
Total Occupancy Expenses	5.87	3.91	3.43
Other Costs of Doing Business			
Office Supplies and Postage	.41	.40	.48
Advertising and Promotion	2.45	2.18	2.14
Donations	.06	.05	.05
Telephone and Telegraph	.36	.30	.31
Bad Debts	.26	.32	.35
Credit Card Expense (Bank Charges)	.07	.10	.27
Delivery Expenses (Other Than Wages)	.45	.54	.40
Leasing Expenses (Non-Occupancy)	.02	.27	.24
Insurance (Other Than Real Estate and Group)	.64	.70	.27
Taxes (Other Than Real Estate and Payroll)	.42	.42	.27
Equipment Repairs and Maintenance	.21	.37	.28
Interest (Other Than Real Estate)	1.72	1.15	.78
Depreciation (Other than Real Estate)	.97	.69	.79
Store and Shop Supplies	.44	.24	.59
Legal and Accounting	.28	.30	.29
Computer Services and Expenses (Other than Wages)	.11	.09	.17
Dues and Subscriptions	.06	.07	.04
Travel, Buying, Entertainment	.27	.20	.20
Miscellaneous Services (Laundry, Disposal, etc.)	.16	.07	.11
Unclassified Expenses	.39	.36	.12
Total Other Costs of Doing Business	9.75	8.82	8.15
Total Operating Expenses	33.53	29.92	29.74
Operating Profit or Loss	.77	--	1.49
Other Income	1.49	2.09	1.57
Net Operating Profit or Loss (Before Income Taxes)	2.26	2.09	3.06

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Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $2,999,999	Sales $3,000,000 Or More
Total Dollar Assets	$392,506	$722,210	$2,219,183
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.15	6.06	1.48
Notes and Installments Contracts Receivable	3.90	3.68	3.76
Accounts Receivable	9.67	16.18	12.55
Merchandise Inventory (End of Year)	51.35	47.64	39.51
Other Current Assets	2.45	2.95	1.58
Total Current Assets	71.52	76.51	58.88
Stocks and Bonds	3.02	2.63	1.41
Real Estate (Not Used in Business)	.25	.46	.60
Other Investments	4.27	2.77	3.83
Total Investments	7.54	5.86	5.84
Land (Owned and Used in Business)	2.49	1.75	7.29
Buildings (Owned and Used in Business less Depreciation)	7.93	4.93	14.31
Leasehold Improvements (Less Amortization Allowance)	.30	1.60	4.87
Furniture, Fixtures, Equipment (Owned and Used in Business less Depreciation)	3.34	4.42	7.34
Delivery Equipment (Owned and Used in Business less Depreciation)	2.50	2.07	1.03
Other Fixed Assets	2.38	2.86	.44
Total Fixed Assets	20.94	17.63	35.28
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	9.98	14.26	14.03
Current Portion of Notes Payable	5.49	8.09	5.36
Accrued Payroll Taxes	46	.38	.44
Accrued Other Taxes	1.21	1.54	3.02
Other Accrued Expenses	2.04	2.29	1.41
Other Current Liabilities	.76	2.82	8.28
Total Current Liabilities	19.94	29.38	32.54
Notes Due Partners/Officers	11.42	3.74	1.20
Mortgage Payable	4.44	3.52	2.08
Long Term Debt	17.52	13.25	5.54
Other Long Term Liabilities	2.54	1.23	.94
Total Long Term Liabilities	35.92	21.74	9.76
Total Liabilities	55.86	51.12	42.30
Net Worth	44.14	48.88	57.70
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	9.89%	11.14%	11.22%
Active Owner's Return	32.60%	28.53%	19.75%
Current Asset Ratio	3.59x	2.60x	1.81x
Quick Asset Ratio	1.01x	.98x	.60x
Total Debt to Tangible Net Worth	126.50%	104.64%	73.29%
Stock Turn Times	2.60x	3.96x	3.75x
Sales to Inventory Ratio	3.99x	5.61x	5.44x
Average Inventory per Sq. Ft. Sales Area	$21.36	$36.09	$107.83
Net Sales to Accounts Receivable	19.98x	16.15x	16.82x
Accounts Receivable — Average Age in Days	18.27	22.60	21.70
Net Sales to Total Assets	1.93x	2.61x	2.11x
Net Sales to Net Worth	4.38x	5.35x	3.66x
Net Sales to Net Working Capital	3.75x	5.54x	8.02x
Other Operating Data			
Incoming Freight — % of Purchases	1.21%	.32%	.07%
Credit Sales — % of Total Gross Sales	34.20%	36.23%	46.94%
Consumer Sales — % of Total Gross Sales	82.67%	74.78%	57.12%
Inventory - % Stored in Central Warehouse	—	20.68%	24.76%
Selling Area — Square Feet	11,274	15,979	21,635
Sales Per Square Foot — Selling Area	$67.28	$118.09	$216.52
Total Area — Square Feet	22,140	23,121	38,310
Sales Per Square Foot — Total Area	$34.26	$81.61	$122.28
Sales Per Person Employed	$60,920	$90,152	$81,651
Sales Per Customer	$10.92	$27.11	$18.19

Sales Floor Size

Income Statement Data	Sales Area Under 10,000 Sq. Ft.	10,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	28	111	48
Net Sales Volume	$1,055,600	$2,176,690	$3,771,538
Current Year's Sales vs. Previous Year*	+ 4.79%	+4.20%	+11.40%
Gross Sales	102.05%	102.29%	102.69%
Less: Total Deductions	2.05	2.29	2.69
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	68.48	71.66	66.84
Margin Before Purchase Rebate or Patronage Dividend	31.52	28.34	33.16
Purchase Rebate or Patronage Dividend	.67	.41	.19
Margin After Purchase Rebate or Patronage Dividend	32.19	28.75	33.35
Payroll and Other Employee Expenses			
Salaries — Owners, Officers, Managers	5.09	2.94	2.30
Salaries/Wages — Other Employees	10.33	11.64	13.66
Federal and State Payroll Taxes	1.01	1.04	1.52
Group Insurance	.42	.52	.99
Benefit Plans	.35	.81	.24
Total Payroll and Other Employee Expenses	17.20	16.95	18.71
Occupancy Expenses			
Heat, Light, Power, Water	.87	.67	.96
Building Repairs and Maintenance	.17	.29	.37
Rent or Ownership in Real Estate**	3.95	2.45	2.73
Total Occupancy Expenses	4.99	3.41	4.06
Other Costs of Doing Business			
Office Supplies and Postage	.31	.44	.47
Advertising and Promotion	2.01	1.99	2.45
Donations	.05	.06	.04
Telephone and Telegraph	.31	.33	.28
Bad Debts	.35	.40	.24
Credit Card Expense (Bank Charges)	.08	.10	.32
Delivery Expenses (Other Than Wages)	.68	.54	.33
Leasing Expenses (Non-Occupancy)	.02	.31	.17
Insurance (Other Than Real Estate and Group)	.68	.58	.26
Taxes (Other Than Real Estate and Payroll)	.45	.39	.25
Equipment Repairs and Maintenance	.15	.37	.27
Interest (Other Than Real Estate)	1.51	1.27	.55
Depreciation (Other than Real Estate)	.75	.65	.88
Store and Shop Supplies	.46	.26	.67
Legal and Accounting	.34	.28	.31
Computer Services and Expenses (Other than Wages)	.19	.11	.16
Dues and Subscriptions	.07	.07	.03
Travel, Buying, Entertainment	.25	.20	.20
Miscellaneous Services (Laundry, Disposal, etc.)	.07	.11	.07
Unclassified Expenses	.37	.28	.14
Total Other Costs of Doing Business	9.10	8.74	8.09
Total Operating Expenses	31.29	29.10	30.86
Operating Profit or Loss	.90	(.35)	2.49
Other Income	2.84	1.72	1.60
Net Operating Profit or Loss (Before Income Taxes)	3.74	1.37	4.09

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Sales Floor Size

Balance Sheet Data	Sales Area Under 10,000 Sq. Ft.	10,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$516,680	$898,934	$1,749,684
		% of Total Assets	
Assets			
Cash and Equivalent	7.44	4.69	1.05
Notes and Contracts Receivable	5.05	4.75	2.44
Accounts Receivable	13.32	16.29	10.56
Merchandise Inventory (End of Year)	43.03	43.50	42.57
Other Current Assets	4.04	1.84	2.15
Total Current Assets	72.88	71.07	58.77
Stocks and Bonds	3.02	2.25	1.38
Real Estate (Not Used in Business)	.32	.95	.08
Other Investments	1.90	5.17	1.66
Total Investments	5.24	8.37	3.12
Land (Owned and Used in Business)	2.79	3.31	7.38
Buildings (Owned and Used in Business Less Depreciation)	5.70	7.75	14.78
Leasehold Improvements (Less Amortization Allowance)	2.01	1.40	5.98
Furniture, Fixtures, Equipment (Owned and Used in Business less Depreciation)	4.49	4.88	7.97
Delivery Equipment (Owned and Used in Business less Depreciation)	1.63	1.83	1.08
Other Fixed Assets	5.26	1.39	.92
Total Fixed Assets	21.88	20.56	38.11
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.87	12.74	15.72
Current Portion of Notes Payable	5.49	9.40	3.09
Accrued Payroll Taxes	.29	.37	.50
Accrued Other Taxes	1.32	1.42	3.68
Other Accrued Expenses	1.50	1.84	1.53
Other Current Liabilities	2.39	9.50	2.01
Total Current Liabilities	21.86	35.27	26.53
Notes Due Partners/Officers	4.88	4.23	1.14
Mortgage Payable	6.09	3.40	1.61
Long Term Debt	13.81	10.85	6.90
Other Long Term Liabilities	2.79	1.56	.28
Total Long Term Liabilities	27.57	20.04	9.93
Total Liabilities	49.43	55.31	36.46
Net Worth	50.57	44.69	63.54
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	15.11%	7.36%	13.88%
Active Owner's Return	35.68%	23.30%	21.70%
Current Asset Ratio	3.33x	2.02x	2.21x
Quick Asset Ratio	1.37x	.78x	.61x
Total Debt to Tangible Net Worth	97.72%	123.69%	57.40%
Stock Turn Times	3.29x	4.07x	3.47x
Sales to Inventory Ratio	4.80x	5.69x	5.18x
Average Inventory per Sq. Ft. Sales Area	$30.05	$47.11	$64.41
Net Sales to Accounts Receivable	15.34x	14.86x	20.41x
Accounts Receivable — Average Age in Days	23.79	24.56	17.88
Net Sales to Total Assets	2.04x	2.42x	2.16x
Net Sales to Net Worth	4.04x	5.42x	3.39x
Net Sales to Net Working Capital	4.00x	6.76x	6.69x
Other Operating Data			
Incoming Freight — % of Purchases	.73%	.31%	.05%
Credit Sales — % of Total Gross Sales	55.21%	50.63%	33.45%
Consumer Sales - % of Total Gross Sales	77.70%	69.60%	72.19%
Inventory — % Stored in Warehouse	10.00%	14.36%	33.88%
Selling Area — Square Feet	8,613	12,781	29,858
Sales Per Square Foot — Selling Area	$122.56	$170.31	$126.32
Total Area — Square Feet	16,264	23,121	42,340
Sales Per Square Foot — Total Area	$64.90	$94.14	$89.08
Sales Per Person Employed	$74,450	$94,602	$73,771
Sales Per Customer	$14.93	$30.35	$15.70

Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber Building Materials	Organized As Home Center
Number of Stores	75	78	5
Net Sales Volume	$2,394,505	$2,393,539	$2,346,894
Current Year's Sales vs. Previous Year*	+15.74%	+1.62%	+9.36%
Gross Sales	102.91%	102.17%	105.76%
Less: Total Deductions	2.91	2.17	5.76
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.24	72.09	68.13
Margin Before Purchase Rebate or Patronage Dividend	34.76	27.91	31.87
Purchase Rebate or Patronage Dividend	.41	.30	.21
Margin After Purchase Rebate or Patronage Dividend	35.17	28.21	32.08
Payroll and Other Employee Expenses			
Salaries — Owners, Officers, Managers	2.63	3.16	6.02
Salaries/Wages — Other Employees	14.16	11.17	10.16
Federal and State Payroll Taxes	1.52	1.02	1.43
Group Insurance	.96	.53	.08
Benefit Plans	.25	.85	1.01
Total Payroll and Other Employee Expense	19.52	16.73	18.70
Occupancy Expenses			
Heat, Light, Power, Water	.99	.63	1.17
Building Repairs and Maintenance	.35	.28	.26
Rent or Ownership in Real Estate**	2.96	2.37	3.02
Total Occupancy Expense	4.30	3.28	4.45
Other Costs of Doing Business			
Advertising and Promotion	2.51	1.96	2.96
Insurance (Other than Real Estate or Group)	.47	.51	.15
Taxes (Other than Real Estate or Payroll)	.35	.37	.15
Interest (Other than Real Estate)	.53	1.03	.82
Depreciation (Other than Real Estate)	.86	.66	.43
All Other Expenses	3.57	3.94	2.17
Total Other Costs of Doing Business	8.29	8.47	6.68
Total Operating Expenses	32.11	28.48	29.83
Operating Profit or Loss	3.06	(.27)	2.25
Other Income	1.45	2.18	1.57
Net Operating Profit or Loss (Before Income Taxes)	4.51	1.91	3.82
Financial Performance			
Profit on Investment	14.57%	11.54%	36.25%
Active Owner's Return	23.06%	30.72%	93.36%
Current Asset Ratio	2.46x	1.97x	2.16x
Quick Asset Ratio	.58x	.85x	.75x
Total Debt to Tangible Net Worth	50.34%	141.90%	118.16%
Stock Turn Times	3.22x	4.35x	6.71x
Sales to Inventory Ratio	4.93x	6.03x	9.85x
Average Inventory per Sq. Ft. Sales Area	$64.39	$43.26	$18.91
Net Sales to Accounts Receivable	24.58x	12.47x	52.89x
Accounts Receivable — Average Age in Days	14.85	29.27	6.90
Net Sales to Total Assets	2.15x	2.51x	4.34x
Net Sales to Net Worth	3.23x	6.07x	9.48x
Net Sales to Net Working Capital	6.07x	6.89x	12.31x
Other Operating Data			
Incoming Freight — % of Purchases	.40%	.14%	.16%
Credit Sales — % of Total Gross Sales	32.86%	48.59%	8.37%
Consumer Sales — % of Total Gross Sales	81.58%	66.53%	76.67%
Inventory — % Stored in Central Warehouse	18.14%	20.00%	—
Selling Area — Square Feet	17,826	15,865	18,600
Sales Per Square Foot — Selling Area	$134.33	$150.87	$12.18
Total Area — Square Feet	24,450	29,446	30,813
Sales Per Square Foot — Total Area	$97.93	$81.29	$76.17
Sales Per Person Employed	$69,125	$97,521	$54,076
Sales Per Customer	$13.44	$37.09	—

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Trade Area Size

Income Statement Data	S.M.S.A.	Cities 10,000 to 50,000	Rural Areas Under 10,000
Number of Stores	86	36	68
Net Sales Volume	$3,065,116	$1,962,836	$1,805,308
Current Year's Sales vs. Previous Year*	+9.90%	+10.07%	-.82%
Gross Sales	101.82%	103.15%	103.32%
Less: Total Deductions	1.82	3.15	3.32
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	67.44	71.75	72.48
Margin Before Purchase Rebate or Patronage Dividend	32.56	28.25	27.52
Purchase Rebate or Patronage Dividend	.24	.50	.49
Margin After Purchase Rebate or Patronage Dividend	32.80	28.75	28.01
Payroll and Other Employee Expenses			
Salaries — Owners, Officers, Managers	2.14	3.95	3.91
Salaries/Wages — Other Employees	13.97	11.27	9.59
Federal and State Payroll Taxes	1.31	1.12	1.12
Group Insurance	.76	.71	.56
Benefit Plans	.52	.48	.71
Total Payroll and Other Employee Expenses	18.70	17.53	15.89
Occupancy Expenses			
Heat, Light, Power, Water	.82	.85	.74
Building Repairs and Maintenance	.37	.23	.25
Rent or Ownership in Real Estate**	2.67	2.89	2.52
Total Occupancy Expenses	3.86	3.97	3.51
Other Costs of Doing Business			
Advertising and Promotion	2.24	2.11	2.11
Insurance (Other than Real Estate or Group)	.43	.54	.52
Taxes (Other than Real Estate or Payroll)	.35	.31	.36
Interest (Other than Real Estate)	.66	1.57	1.33
Depreciation (Other than Real Estate)	.77	.84	.68
All Other Expenses	3.81	3.54	3.89
Total Other Costs of Doing Business	8.26	8.91	8.89
Total Operating Expenses	30.82	30.41	28.29
Operating Profit or Loss	1.98	(1.66)	(.28)
Other Income	1.24	2.38	2.64
Net Operating Profit or Loss (Before Income Taxes)	3.22	.72	2.36
Financial Performance			
Profit on Investment	13.68%	2.37%	11.87%
Active Owner's Return	22.77%	15.59%	31.63%
Current Asset Ratio	1.87x	2.76x	2.58x
Quick Asset Ratio	.54x	1.10x	1.09x
Total Debt to Tangible Net Worth	76.15%	93.70%	107.42%
Stock Turn Times	3.61x	3.39x	4.32x
Sales to Inventory Ratio	5.35x	4.72x	5.96x
Average Inventory per Sq. Ft. Sales Area	$75.38	$34.86	$34.53
Net Sales to Accounts Receivable	18.22x	13.85x	15.89x
Accounts Receivable — Average Age in Days	20.03	26.35	22.97
Net Sales to Total Assets	2.41x	1.73x	2.43x
Net Sales to Net Worth	4.25x	3.35x	5.05x
Net Sales to Net Working Capital	7.96x	4.35x	5.56x
Other Operating Data			
Incoming Freight — % of Purchases	.20%	.30%	.32%
Credit Sales — % of Total Gross Sales	41.31%	59.89%	34.72%
Consumer Sales — % of Total Gross Sales	70.80%	68.09%	74.28%
Inventory — % Stored in Central Warehouse	18.55%	48.67%	20.60%
Selling Area — Square Feet	19,727	15,119	13,289
Sales Per Square Foot — Selling Area	$155.38	$129.83	$135.85
Total Area — Square Feet	27,224	29,263	25,907
Sales Per Square Foot — Total Area	$112.59	$67.08	$69.68
Sales Per Person Employed	$77,166	$83,230	$99,073
Sales Per Customer	$16.48	$39.33	$26.67

*As reported to us by Bottom Line contributors.

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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	29	133	12
Net Sales Volume	$1,633,376	$2,714,573	$1,384,970
Current Year's Sales vs. Previous Year*	+3.55%	+8.17%	-.18%
Gross Sales	102.35%	102.30%	100.65%
Less: Total Deductions	2.35	2.30	.65
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	68.49	69.13	71.80
Margin Before Purchase Rebate or Patronage Dividend	31.51	30.87	28.20
Purchase Rebate or Patronage Dividend	.61	.27	.05
Margin After Purchase Rebate or Patronage Dividend	32.12	31.14	28.25
Payroll and Other Employee Expenses			
Salaries — Owners, Officers, Managers	3.26	2.61	3.96
Salaries/Wages — Other Employees	13.59	12.49	8.96
Federal and State Payroll Taxes	1.25	1.23	1.38
Group Insurance	.77	.72	.26
Benefit Plans	.38	.59	.65
Total Payroll and Other Employee Expenses	19.25	17.64	15.21
Occupancy Expenses			
Heat, Light, Power, Water	.72	.81	.75
Building Repairs and Maintenance	.23	.34	.22
Rent or Ownership in Real Estate**	3.00	2.67	2.33
Total Occupancy Expenses	3.95	3.82	3.30
Other Costs of Doing Business			
Advertising and Promotion	2.04	2.24	1.59
Insurance (Other than Real Estate and Group)	.99	.36	1.07
Taxes (Other than Real Estate and Payroll)	.45	.33	.53
Interest — Other than Real Estate)	1.21	.92	1.48
Depreciation (Other than Real Estate)	.81	.73	.58
All Other Expenses	3.70	3.80	3.77
Total Other Costs of Doing Business	9.20	8.38	9.02
Total Operating Expense	32.40	29.84	27.53
Operating Profit or Loss	(.28)	1.30	.72
Other Income	1.89	1.62	2.62
Net Operating Profit or Loss (Before Income Taxes)	1.61	2.92	3.34
Financial Performance			
Profit on Investment	7.42%	13.47%	15.48%
Active Owner's Return	22.46%	25.52%	33.87%
Current Asset Ratio	2.56x	2.01x	2.96x
Quick Asset Ratio	.83x	.66x	1.13x
Total Debt to Tangible Net Worth	98.17%	92.09%	109.29%
Stock Turn Times	3.30x	3.86x	3.34x
Sales to Inventory Ratio	4.81x	5.58x	4.65x
Average Inventory per Sq. Ft. Sales Area	$33.47	$60.44	$29.40
Net Sales to Accounts Receivable	15.74x	17.24x	9.83x
Accounts Receivable — Average Age in Days	23.19	21.17	37.13
Net Sales to Total Assets	2.32x	2.39x	2.22x
Net Sales to Net Worth	4.60x	4.61x	4.65x
Net Sales to Net Working Capital	4.99x	7.31x	4.29x
Other Operating Data			
Incoming Freight — % of Purchases	.54%	.17%	.21%
Credit Sales — % Total Gross Sales	53.69%	40.91%	50.84%
Consumer Sales — % of Total Gross Sales	75.32%	71.18%	65.00%
Inventory — % Stored in Central Warehouse	28.75%	19.68%	——
Selling Area — Square Feet	14,051	17,857	10,382
Sales Per Square Foot — Selling Area	$116.25	$152.02	$133.40
Total Area — Square Feet	18,730	29,108	22,147
Sales Per Square Foot — Total Area	$87.21	$93.26	$62.54
Sales Per Person Employed	$90,393	$81,757	$89,836
Sales Per Customer	$18.71	$18.72	$19.41

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Store Location: Part II

Income Statement Data	Shopping Centers: Neighborhood	Shopping Centers: Community or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	26	19	55	78
Net Sales Volume	$4,309,872	$2,087,392	$1,752,304	$2,425,614
Current Year's Sales vs. Previous Year*	+20.03%	+12.73%	+3.95%	+.98%
Gross Sales	103.45%	100.79%	102.13%	102.17%
Less: Total Deductions	3.45	.79	2.13	2.17
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.86	70.79	70.47	71.67
Margin Before Purchase Rebate or Patronage Dividend	36.14	29.21	29.53	28.33
Purchase Rebate or Patronage Dividend	.16	.19	.67	.26
Margin After Purchase Rebate or Patronage Dividend	36.30	29.40	30.20	28.59
Payroll and Other Employee Expenses				
Salaries — Owners, Officers, Managers	2.08	2.94	3.74	2.84
Salaries/Wages — Other Employees	14.85	13.48	11.19	11.00
Federal and State Payroll Taxes	1.83	1.20	1.02	.98
Group Insurance	1.26	.49	.49	.49
Benefit Plans	.09	.53	.63	.80
Total Payroll and Other Employee Expenses	20.11	18.64	17.07	16.11
Occupancy Expenses				
Heat, Light, Power, Water	1.01	.64	.86	.64
Building Repairs and Maintenance	.44	.11	.27	.32
Rent or Ownership in Real Estate**	2.78	2.68	2.71	2.66
Total Occupancy Expenses	4.23	3.43	3.84	3.62
Other Costs of Doing Business				
Advertising and Promotion	2.70	2.17	1.97	1.93
Insurance (Other than Real Estate or Group)	.22	.76	.64	.44
Taxes (Other than Real Estate or Payroll)	.18	.28	.46	.37
Interest (Other than Real Estate)	.11	.56	1.44	1.20
Depreciation (Other than Real Estate)	.89	.72	.71	.65
All Other Expenses	3.81	3.65	3.61	3.78
Total Other Costs of Doing Business	7.91	8.14	8.83	8.37
Total Operating Expenses	32.25	30.21	29.74	28.10
Operating Profit or Loss	4.05	(.81)	.46	.49
Other Income	1.31	1.07	1.79	1.81
Net Operating Profit or Loss (Before Income Taxes)	5.36	.26	2.25	2.30
Financial Performance				
Profit on Investment	15.43%	2.86%	11.67%	12.19%
Active Owner's Return	21.40%	36.90%	31.05%	27.22%
Current Asset Ratio	2.00x	1.11x	2.50x	2.49x
Quick Asset Ratio	.35x	.34x	.97x	.98x
Total Debt to Tangible Net Worth	43.32%	347.72%	115.64%	101.55%
Stock Turn Times	3.21x	3.68x	3.91x	4.24x
Sales to Inventory Ratio	5.02x	5.19x	5.55x	5.91x
Average Inventory per Sq. Ft. Sales Area	$160.00	$69.83	$27.91	$52.58
Net Sales to Accounts Receivable	25.51x	14.31x	15.23x	15.56x
Accounts Receivable — Average Age in Days	14.31	25.51	23.97	23.46
Net Sales to Total Assets	2.02x	2.58x	2.40x	2.63x
Net Sales to Net Worth	2.88x	11.57x	5.18x	5.30x
Net Sales to Net Working Capital	7.95x	34.85x	5.58x	5.91x
Other Operating Data				
Incoming Freight — % of Purchases	.11%	.49%	.28%	.23%
Credit Sales — % of Total Gross Sales	33.41%	56.33%	41.10%	48.66%
Consumer Sales — % of Total Gross Sales	75.17%	74.68%	72.77%	69.08%
Inventory — % Stored in Central Warehouse	33.00%	6.00%	3.61%	26.72%
Selling Area — Square Feet	25,937	11,992	16,231	14,800
Sales Per Square Foot — Selling Area	$166.17	$174.07	$107.96	$163.89
Total Area — Square Feet	34,433	19,922	27,086	26,014
Sales Per Square Foot — Total Area	$125.17	$104.78	$64.69	$93.24
Sales Per Person Employed	$65,954	$74,690	$79,981	$104,819
Sales Per Customer	$13.32	$14.32	$24.20	$29.92

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Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	89	103
Net Sales Volume	$1,917,705	$2,807,387
Current Year's Sales vs. Previous Year*	+3.77%	+8.82%
Gross Sales	102.66%	$102.30%
Less: Total Deductions	2.66	2.30
Net Sales	100.00%	100.00%
Cost of Goods Sold	69.73	69.30
Margin Before Purchase Rebate or Patronage Dividend	30.27	30.70
Purchase Rebate or Patronage Dividend	.59	.21
Margin After Purchase Rebate or Patronage Dividend	30.86	30.91
Payroll and Other Employee Expenses		
Salaries — Owners/Officers/Managers	3.95	2.28
Salaries/Wages — Other Employees	11.62	12.79
Federal and State Payroll Taxes	1.07	1.33
Group Insurance	.51	.81
Benefit Plans	.64	.51
Total Payroll and Other Employee Expenses	17.79	17.72
Occupancy Expenses		
Heat, Light, Power, Water	.69	.87
Building Repairs and Maintenance	.19	.39
Rent or Ownership in Real Estate**	2.76	2.63
Total Occupancy Expenses	3.64	3.89
Other Costs of Doing Business		
Advertising and Promotion	1.87	2.36
Insurance (Other than Real Estate or Group)	.64	.37
Taxes (Other than Real Estate or Payroll)	.43	.29
Interest (Other than Real Estate)	1.35	.78
Depreciation (Other than Real Estate)	.78	.74
All Other Expenses	3.61	3.89
Total Other Costs of Doing Business	8.68	8.43
Total Operating Expenses	30.11	30.04
Operating Profit or Loss	.75	.87
Other Income	2.18	1.55
Net Operating Profit or Loss (Before Income Taxes)	2.93	2.42
Financial Performance		
Profit on Investment	12.30%	10.39%
Active Owner's Return	28.92%	20.20%
Current Asset Ratio	3.09x	1.81x
Quick Asset Ratio	1.24x	.55x
Total Debt to Tangible Net Worth	89.77%	85.43%
Stock Turn Times	3.69x	3.76x
Sales to Inventory Ratio	5.29x	5.42x
Average Inventory Per Sq. Ft. Sales Area	$26.01	$109.36
Net Sales to Accounts Receivable	13.38x	19.59x
Accounts Receivable — Average Age in Days	27.28	18.63
Net Sales to Total Assets	2.21x	2.32x
Net Sales to Net Worth	4.20x	4.30x
Net Sales to Net Working Capital	4.60x	8.22x
Other Operating Data		
Incoming Freight — % of Purchases	.46%	.12%
Credit Sales — % of Total Gross Sales	50.28%	39.91%
Consumer Sales — % of Total Gross Sales	67.76%	74.24%
Inventory — % Stored in Central Warehouse	10.63%	21.44%
Selling Area — Square Feet	13,824	18,755
Sales per Square Foot — Selling Area	$138.72	$149.69
Total Area — Square Feet	25,553	28,342
Sales per Square Foot — Total Area	$75.05	$99.05
Sales per Person Employed	$87,857	$80,412
Sales per Customer	$24.61	$18.37

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Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

Accounts Receivable — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

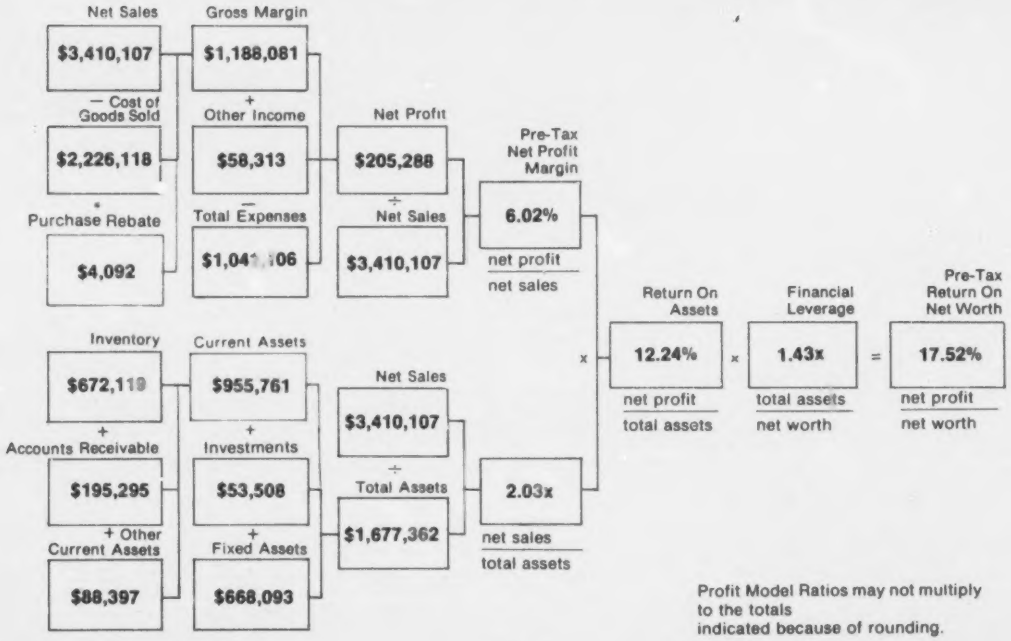
Fixed Assets — Divide Net Sales by Fixed Assets, a substantially lower than industry average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Centers



Profit Model Ratios may not multiply to the totals indicated because of rounding.

Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory, cost of goods sold and space occupied by major departments found in U.S. home centers. Slightly more than half of the sample is made up of home centers with lumber and building material origins; the other half of the sample is comprised of centers with hardware origins. Although results may be somewhat biased toward lumber and building materials, the section should give an excellent indication of operating results obtained in various departments found in U.S. home centers.

Departmental Contributions

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a home center handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a home center that does not carry all the major departments? How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Building Materials. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint and Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0%. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0}$	= 15.8%
Hand Tools	$\frac{10.0}{95.0}$	= 10.5%
Paint and Home Decorating	$\frac{20.0}{95.0}$	= 21.1%
Building Materials	$\frac{5.0}{95.0}$	= 52.6%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space, inventory and cost of goods sold.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page, examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: hardware, electrical supplies and paint and home decorating. Margin evaluations alone would indicate major appliances and home entertainment, lumber and building materials to be below average performance.

An additional measure is the sales to inventory ratio (net sales divided by average inventory at cost). On the basis of this ratio alone, lumber and building materials highly exceed all the other department averages.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio. Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.60 which means $1.60 in margin is returned for each $1.00 invested in lawn and garden inventory. GMROI of 1.60 is computed by taking margin (33.4%) times the sales to inventory ratio (4.8x), (33.4% x 4.8x = 1.60). Resultant GMROI figures give home center operators ways to measure departmental performance across diverse merchandise lines. Traditional high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold	$ Sales Per Sq. Ft. Sales Area	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold
Hardware	100.0	9.8	10.2	9.7	7.8	139.13	9.8	10.2	9.7	7.8
Hand Tools	100.0	4.1	4.6	5.3	3.9	129.03	4.1	4.6	5.3	3.9
Power Tools & Accessories	100.0	2.4	3.1	3.4	2.4	112.05	2.4	3.1	3.4	2.4
Plumbing, Heating and Cooling	100.0	9.0	10.7	10.0	8.0	121.78	9.0	10.7	10.0	8.0
Electrical Supplies	100.0	7.0	7.7	7.6	6.3	131.59	7.0	7.7	7.6	6.3
Paint & Home Decorating	100.0	9.2	9.7	9.2	8.8	137.37	9.2	9.7	9.2	8.8
Lumber	84.1	19.9	14.0	17.6	19.8	205.79	16.8	10.2	14.6	18.5
Building Materials	83.3	21.6	12.1	24.9	26.1	258.53	17.9	9.4	16.9	21.3
Lawn & Garden	90.2	10.1	18.3	11.2	11.9	79.91	9.1	16.1	10.0	10.2
Housewares	69.7	5.9	8.6	5.5	6.0	75.65	4.1	6.4	3.9	3.9
Automotive Supplies	50.0	3.1	3.7	2.9	2.9	121.31	1.6	1.9	1.6	1.4
Major Appliances & Home Entertainment	22.7	4.8	12.8	5.1	5.9	78.50	1.1	3.1	1.1	1.1
Sporting Goods & Outdoor Living	50.0	4.2	4.9	4.5	4.3	124.18	2.1	2.6	2.3	2.2
Miscellaneous Goods	73.5	8.0	6.4	2.8	3.6	155.22	5.8	4.3	4.4	4.2
							100.0	100.0	100.0	100.0

Productivity

Department	Typical Store Profile: Gross Margin %	Sales To Inventory Ratio	GMROI
Hardware	40.9	4.6x	1.88
Hand Tools	35.6	4.2x	1.50
Power Tools & Accessories	31.9	3.4x	1.08
Plumbing, Heating & Cooling	36.0	4.8x	1.73
Electrical Supplies	38.6	4.4x	1.70
Paint & Home Decorating	37.5	5.2x	1.95
Lumber	24.1	6.8x	1.64
Building Materials	26.6	6.8x	1.81
Lawn & Garden	33.4	4.8x	1.60
Housewares	35.6	5.0x	1.78
Automotive Supplies	30.9	4.3x	1.33
Major Appliances & Home Entertainment	21.1	4.1x	.87
Sporting Goods & Outdoor Living	33.6	4.7x	1.58
Miscellaneous Goods	32.7	4.3x	1.41

New Home Center Data

To determine the feasibility of a new home center, four distinct planning phases are required:

—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

Phase I
As the ultimate criterion of feasibility for a proposed home center operation will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new home center can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's Bottom Line to estimate sales volumes, gross margins, salaries and other cost of doing business to project Net Profits and Return on Investment for the proposed operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

Phase II
Site Location
The market area to be served by the proposed home center will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given home center location. These aspects are listed below.

Shopping Pull — Businesses in the area which would help draw consumers to the area.

Parking Facilities — Adequate parking requires two to two and a half square feet of parking area for every square foot of selling area.

Walk-In Traffic
Traffic Count and Patterns
Accessibility
Visibility
Congestion

Shopping Ease — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

Ingress and Egress — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

Primary Trade Area
After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundaries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or manmade barriers.

Size — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

Driving Time — Typically a 10,000 square foot store can draw consumers within a 10 to 15 minutes driving time, a 20,000 square foot store drawing within 15 to 20 minutes driving time.

Other Retail Stores — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

Barriers — Barriers affecting accessibility to selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new home center within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

Consumer Analysis
From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumers' propensity to spend on hardlines.

Population Growth Rate — A favorable environment for a new home center requires that the Primary Trade Area experience a minimum of .5 percent annual increase in population.

Income Levels — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

Type of Housing — Consumers who own their own homes will spend more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

Competitive Analysis
Although within a given Primary Trade Area, consumer demographic variables may indicate a healthy environment for a new home center, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines sales represent approximately 70 to 90 percent of the total sales volume for an average home center. Primary hardlines include: hardware, tools, electrical, plumbing, lawn and garden, paint and paint sundries. As these lines represent the substantial majority of sales for a home center, an analysis to determine the feasibility of a new store should focus on these lines.

Retail stores which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating that the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying, and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a home center, the merchandise mix must include all primary hardlines plus lumber and building materials. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Lumber, Building Materials — average to above average.

Phase III

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities, etc. For those expense items that cannot be determined, NRHA's The Bottom Line will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new store will take three years to reach maximum productivity and efficiency or what is termed "store maturity". Therefore do not be overly optimistic on setting performance goals. Based on 1982 dollars, the average new retail home center will achieve sales volumes of only $60 to $70 per square foot in the first year of operation with a second year productivity of $70 to $80 per square foot.

Illustration	Hdwe.	Tools	Elec.	Plbg.	Law./ Gdn.	Paint	Sun- dries	Lbr.	Bldg. Mat'l.
Site Area									
Variety Store	1	1	2	1	3	2			
Drug Store			1		1				
Downtown									
Home Center	5	4	5	4	4	5	5	5	3
Paint Store						5	2		
Auto Supplies		1	1						
East									
Hardware Store	4	3	4	2	5	3	3		
K-Mart	4	5	3	3	5	5	4	3	2
Lumber Outlet	2	1	2	2	1	3	3		
South									
Sears	4	5	4	4	5	5	4		2
Penney	3	4	3	3	4	4	3		
Sherwin Williams					5	5			
Gift Shop									
Super Drugs	2	1	2	2	3	2	1		
Total	25	25	27	21	36	39	25	8	7
# Of Competitors	8	9	10	8	10	10	8	2	3

Phase IV

Through a combined analysis of all planning phases, the consumer store image is developed.

Owner's Economic Constraints
Customer Identification
Posture of Major Competitors
will determine
Size of Facility
Merchandise Mix
Service Level
Price Statement
will determine
Store Layout, Design and Decor
which relays
Consumer Store Image

Member Services

Home Center Institute
The Home Center Institute is a service activity of the National Retail Hardware Association, established in 1972 to meet the unique needs of existing home center retailers and traditional hardware or lumber retailers who were changing into home centers.

HCI is the information and service center of the home center industry, and for the first time provides the consumer-oriented home center retailer with a focal point for industry action.

Included among HCI services are a wide varity of programs in the areas of sales training, management development and training, research, consumer information, seminars and workshops, advertising and promotion, management aids, merchandising aids and Washington legislative representation.

HCI concentrates its service activities in those areas where it would be prohibitively expensive — or impossible — for the member to develop his own programs.

HCI makes available to its membership the vast resources of the National Retail Hardware Association, which has established an industry-wide reputation for professional leadership and innovation in its nearly 80 years of serving hardgood retailers.

Management/Education Services
Behind every successful home center is a good management team. HCI is dedicated to providing the managerial and educational programs home center retailers need to manage more efficiently.

Consumer Material
A retailer's D-I-Y library, offering fifty different "Show How" pamphlets.

Show How Theatre
An in-store audio visual program for employee training and for showing manufacturer-provided films to consumers.

Employee Education
The "Advanced Course in Hardware Retailing" provides information on selling, merchandising and display.

Sales Training Workbooks for building materials, plumbing, electrical and hardware offer indepth specialized training.

"How To" tapes and workbooks teach middle management about pricing, theft, motivation, advertising, etc.

Legislative Representation
NRHA's director of government relations voices the home center retailers position on every pertinent issue to Congress, commissions and agencies.

Management Information
"Store Meeting Guide" and "Sales Tips" for employees combine instruction and motivation. "Departmental Merchandising Guide" suggests basic stock and location of displays. "Wage-Hour and Fair Employment Practices Handbook" covers laws and interpretations on employment practices.

Personnel Management Aids
Material to improve interviewing and evaluating job applicants and employees.

Seminars and Workshops
Subjects range from store management to ownership succession. Larger home centers, can make use of these seminars for "in-house" training programs.

Store Planning Services
Layout and Merchandising
There's more to furnishing a store than setting up some fixtures. It requires planning, designing the sales floor for maximum efficiency, creating an image with decor, display accessories, proper merchandising and installation of the entire store. The NRHA/HCI's Master Merchant Store Planning Program offers a single source consulting service in all these areas, staffed by highly trained and thorougly experienced store engineers and merchandising consultants.

Store Planning
As association consultant can design a sales floor that makes effective use of space, appeals to the consumer, increases operating efficiency and improves profit.

Merchandising
Establishes the proper relationship between items and categories of merchandise, feature displays, improved impulse sales and related sales. It involves knowledge of the retailers's market area and the merchandise mix he needs.

Decor
More than identifying departments, good decor can stimulate the customer's buying urges, create a distinctive store image, make customers feel comfortable in the store and keep them coming back.

Fixtures and Equipment
NRHA/HCI provides retailers with fixtures designed specifically for home centers.

Installation
Supervised and scheduled by merchandising consultants working with dedication to minimize interruption of the business in an existing store, and towards on-time opening of a new store.

Leasing and Financing
Available through NRHA to help conserve operating funds for current merchandise needs.

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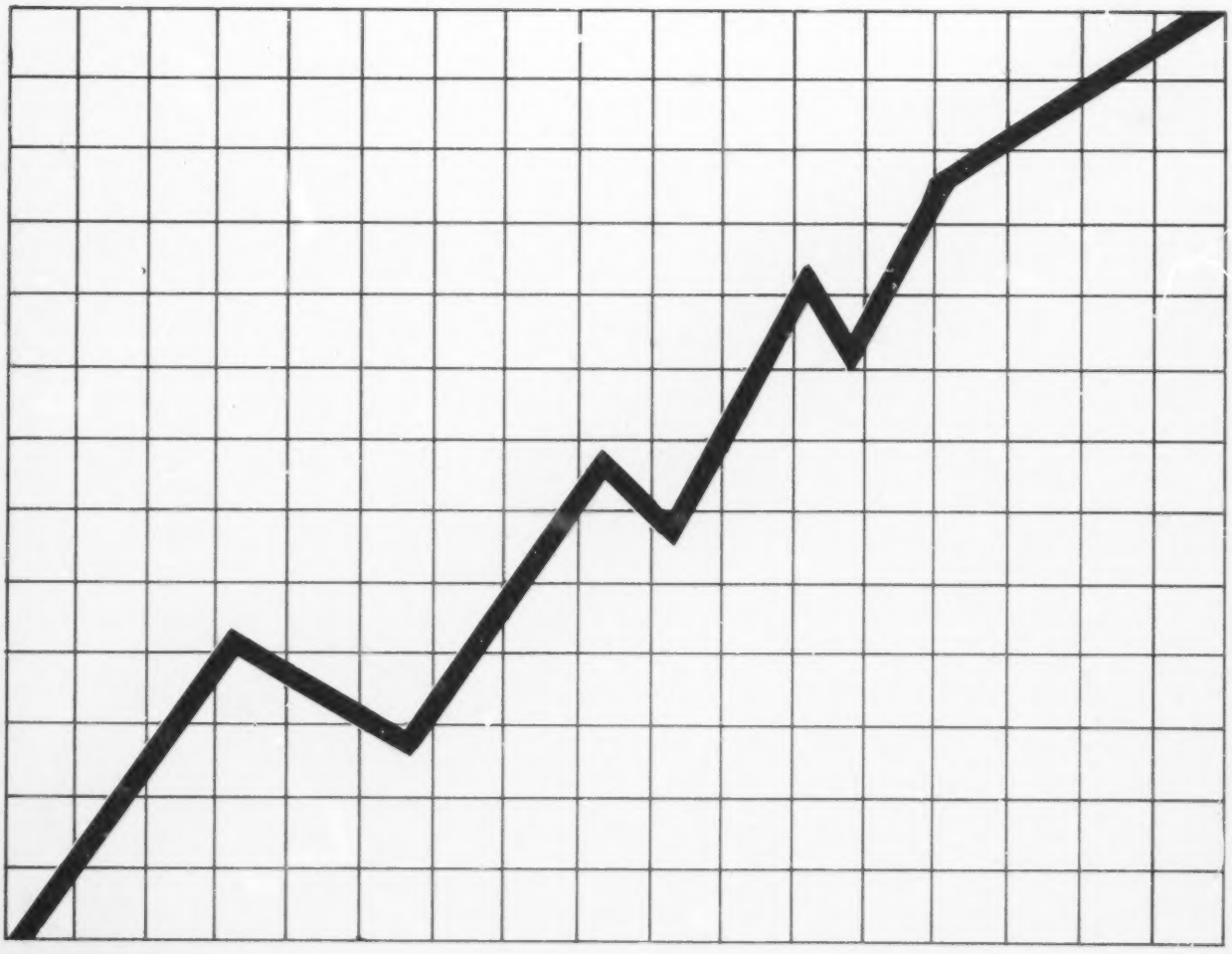
1983
Lumber/Building Materials Financial Report

Financial Report For Retail Lumber/Building Materials Outlets



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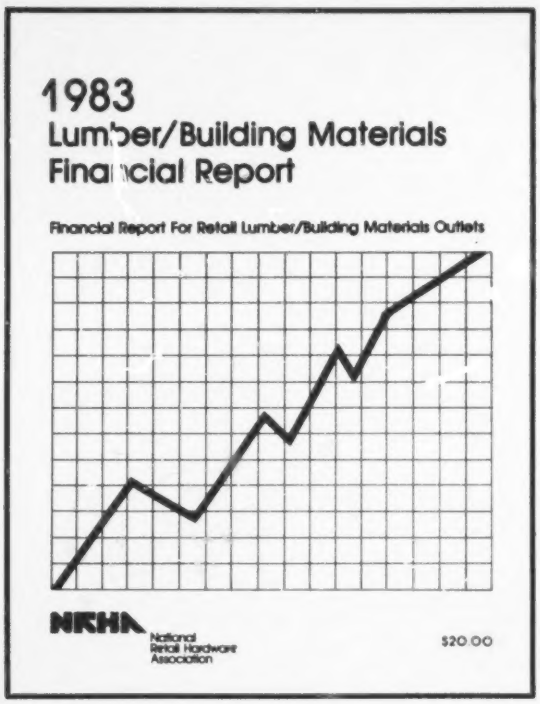

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Introduction

Lumber/Building Material Financial Report

The 1983 Lumber/Building Material Financial Report presents financial operating data for the consumer oriented lumber and building material industry. To be included a lumber/building material outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives; to assess the financial performance of the lumber/building material industry in 1982; to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling lumber/building material retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Lumber/Building Material Financial Report is divided into four major sections: Average Operating Results, Strategic Profit Model, Departmental Sales, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales,** information is presented on the percent of stores handling major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor, inventory and cost of goods sold are outlined both for handling firms only and for an average outlet profile.

In **New Store Data,** information on the required planning phases for new store development is presented.

Type of Outlet

Many factors influence a lumber/building material outlet's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets
—Outlet Orientation

Methodology

The Lumber/Building Material Financial Report is made possible only through the cooperation of the retail lumber/building material men and women who provided detailed information on their operation. Confidential mail questionnaires were sent to lumber/building material operators the end of February. Two hundred and sixty-five usable returns were received by June 1, 1983 in time for inclusion in this year's Report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** The data was keypunched by a service bureau and then processed by our own data processing department.

As thanks for their contributive efforts, each lumber/building material operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to the Lumber/Building Material Financial Report are The Management Report for retail hardware stores and The Bottom Line for home centers. Each segment of the concentrated hardgoods market is provided with its own cost-of-doing business comparison manual.

For Assistance

Assistance and aid in interpreting the 1983 Lumber/Building Material Financial Report may be obtained from your regional Hardware Association.

Highlights

The average net sales per outlet dropped from $1,371,983 in 1981 to $1,292,917 in 1982, a decrease of 5.8 percent. Those dealers that participated in the study, however, stated that their sales were down by an average of .58 percent, which indicates that the sample this year is comprised of lower volume outlets. The cost of goods sold was down slightly which led to a higher gross margin, but expenses were also up. With increases in payroll, occupancy and other costs of doing business, net profit before taxes dropped more than half, from 2.48 percent in 1981 to 1.19 percent in 1982.

Type of Lumber Outlet	Net Sales ($)	Sales Increase Over 1981* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Lumber Outlets	1,292,917	- .58	26.53	(1.02)	4.63	3.73
Low Profit	1,340,840	-2.16	25.93	(6.04)	(14.45)	3.42
High Profit	1,122,852	+1.76	28.50	4.58	19.09	3.49
Sales Volume Size						
Under $500,000	365,589	+ .71	29.50	1.32	9.83	3.35
$500,000 to $999,999	731,995	-3.52	28.03	(1.25)	4.87	3.02
$1,000,000 to $1,999,999	1,380,202	+ .20	26.17	(1.87)	3.12	3.79
$2,000,000 or more	3,598,045	- .17	25.81	(.28)	4.86	4.20
Sales Floor Size						
Under 3,000 Sq. Ft.	879,360	-4.73	26.60	.33	8.96	4.42
3,000 to 4,999 Sq. Ft.	1,181,093	-5.57	25.34	(.58)	5.63	3.86
5,000 Sq. Ft. or more	1,639,804	+4.29	26.47	(2.28)	.32	3.78
Trade Area Size						
S.M.S.A.	1,548,224	-4.10	25.93	(1.29)	7.00	4.53
Cities-10,000 to 50,000	1,438,686	+5.48	26.29	(2.23)	(1.98)	3.67
Rural Areas Under 10,000	1,153,802	+2.42	26.50	(.64)	5.80	3.76
Outlet Location						
Downtown	1,093,267	+ .44	26.42	(1.76)	2.77	3.49
Suburban	1,518,824	-5.34	26.29	(1.36)	4.23	4.00
Rural	1,220,752	+13.49	26.75	1.29	11.15	3.84
Outlet Orientation						
Consumer-Oriented	1,052,081	+1.99	27.24	1.50	5.83	3.31
Contractor-Oriented	2,102,192	-5.04	25.49	.56	2.33	4.84

*As reported to us by contributing dealers.

Monthly Sales

The monthly sales for lumber building material outlets for 1983 seem typical with January and February starting out slowly and sales picking up in the early Spring. Sales remain constant throughout the rest of the year, but an interesting occurence takes place in December. For the first time in many years, sales do not decrease in December from the previous months; in fact, December was the best sales month of the last half of the year.

	%
January	6.1
February	5.6
March	6.9
April	8.3
May	9.6
June	9.4
July	9.2
August	9.0
September	8.9
October	9.2
November	8.5
December	9.3

Average Operating Results

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/ benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Equipment Repairs and Maintenance — All charges for incidental repairs which keep the equipment in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt to Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

All Outlets

Income Statement Data	All Outlets	Low Profit Outlets	High Profit Outlets
Number of Outlets	265	66	66
Net Sales Volume	$1,292,917	$1,340,840	$1,122,852
Current Year's Sales vs. Previous Year*	- .58%	-2.16%	+1.76%
Gross Sales	101.66%	101.99%	102.41%
Less: Total Deductions	1.66	1.99	2.41
Net Sales	100.0%	100.00%	100.00%
Cost of Goods Sold	73.60	74.09	71.66
Margin Before Purchase Rebate or Patronage Dividend	26.40	25.91	28.34
Purchase Rebate or Patronage Dividend	.13	.02	.16
Margin After Purchase Rebate or Patronage Dividend	26.53	25.93	28.50
Payroll and Other Employee Expenses			
Salaries — Owners/Officers/Managers	4.32	4.01	5.18
Salaries/Wages — Other Employees	9.37	11.55	7.38
Federal and State Payroll Taxes	1.06	1.20	1.01
Group Insurance	.56	.70	.50
Benefit Plans	.54	.31	.74
Total Payroll and Other Employee Expenses	15.85	17.77	14.81
Occupancy Expenses			
Heat, Light, Power, Water	.57	.72	.51
Building Repairs and Maintenance	.23	.19	.17
Rent or Ownership in Real Estate**	2.24	2.62	1.98
Total Occupancy Expenses	3.04	3.53	2.66
Other Costs of Doing Business			
Office Supplies and Postage	.42	.36	.43
Advertising and Promotion	1.13	1.54	.78
Donations	.05	.07	.05
Telephone and Telegraph	.30	.39	.24
Bad Debts	.70	.99	.44
Credit Card Expense (Bank Charges)	.03	.01	.02
Delivery (Other Than Wages)	.95	1.03	.85
Leasing Expenses (Non-Occupancy)	.08	.03	.06
Insurance (Other Than Real Estate and Group)	.62	.69	.49
Taxes (Other Than Real Estate and Payroll)	.38	.29	.27
Equipment Repairs and Maintenance	.32	.31	.20
Interest on Borrowed Money (Other Than Mortgages)	1.58	2.56	.59
Depreciation (Other Than Real Estate)	.69	.74	.62
Store and Shop Supplies	.16	.25	.12
Legal and Accounting	.35	.35	.31
Computer Services and Expenses (Other Than Wages)	.09	.08	.06
Dues and Subscriptions	.08	.08	.07
Travel, Buying, Entertainment	.20	.31	.16
Miscellaneous Services (Laundry, Disposal, Etc.)	.09	.17	.02
Unclassified Expenses	.44	.47	.67
Total Other Costs of Doing Business	8.66	10.67	6.45
Total Operating Expenses	27.55	31.97	23.92
Operating Profit or Loss	(1.02)	(6.04)	4.58
Other Income	2.21	2.72	2.32
Net Operating Profit or Loss (Before Income Taxes)	1.19	(3.32)	6.90

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

All Outlets

Balance Sheet Data	All Outlets	Low Profit Outlets	High Profit Outlets
Total Dollar Assets	$639,292	$756,517	$570,622
		% of Total Assets	
Assets			
Cash On Hand and In Bank	7.23	2.81	12.70
Notes and Installment Contracts Receivable	2.93	1.72	4.09
Accounts Receivable	21.70	21.49	19.26
Merchandise Inventory (End of Year)	39.98	38.65	41.12
Other Current Assets	3.70	6.51	2.24
Total Current Assets	75.54	71.18	79.41
Stocks and Bonds	1.51	.42	1.65
Real Estate (Not Used In Business)	2.46	4.80	1.73
Other Investments	2.65	3.41	2.62
Total Investments	6.62	8.63	4.99
Land (Owned and Used In Business)	2.54	3.25	2.26
Buildings (Owned and Used In Business Less Depreciation)	7.67	8.90	7.26
Leasehold Improvements (Less Amortization Allowance)	.64	.88	.18
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	3.23	3.49	2.20
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.46	3.14	1.95
Other Fixed Assets	1.30	.53	1.75
Total Fixed Assets	17.84	20.19	15.60
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.69	10.53	9.04
Current Portion of Notes Payable	11.02	20.36	5.68
Accrued Payroll Taxes	.58	.61	.35
Accrued Other Taxes	.62	.26	.83
Other Accrued Expenses	2.66	2.98	2.01
Other Current Liabilities	1.47	1.96	2.16
Total Current Liabilities	27.04	36.70	20.07
Notes Due Partners/Officers	1.90	1.78	2.52
Mortgage Payable	4.89	4.84	1.65
Long Term Debt	12.98	15.09	4.01
Other Long Term Liabilities	1.45	.76	.70
Total Long Term Liabilities	21.22	22.47	8.88
Total Liabilities	48.26	59.17	28.95
Net Worth	51.74	40.83	71.05
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	4.63%	(14.45)%	19.09%
Active Owner's Return	21.50%	2.93%	33.43%
Current Asset Ratio	2.79x	1.94x	3.96x
Quick Asset Ratio	1.31x	.89x	1.91x
Total Debt to Tangible Net Worth	93.27%	144.92%	40.72%
Stock Turn Times	3.73x	3.42x	3.49x
Sales to Inventory Ratio	5.07x	4.61x	4.86x
Average Inventory per Sq. Ft. Sales Area	$100.20	$171.91	$74.76
Net Sales to Accounts Receivable	9.32x	8.25x	10.21x
Accounts Receivable — Average Age in Days	39.16	44.24	35.75
Net Sales to Total Assets	2.02x	1.77x	1.97x
Net Sales to Net Worth	3.91x	4.34x	2.77x
Net Sales to Net Working Capital	4.17x	5.14x	3.32x
Other Operating Data			
Incoming Freight — % of Purchases	.20%	.26%	.14%
Credit Sales — % of Total Gross Sales	65.95%	64.12%	70.75%
Consumer Sales — % of Total Gross Sales	58.86%	59.29%	64.64%
Selling Area — Square Feet	4,209	5,212	3,439
Sales Per Square Foot — Selling Area	$307.18	$257.26	$326.51
Total Area — Square Feet	16,788	18,720	13,477
Sales Per Square Foot — Total Area	$77.01	$71.63	$83.32
Sales Per Person Employed	$97,559	$80,647	$103,691
Sales Per Customer	$64.16	$56.62	$48.63

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Sales Volume Size

Income Statement Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Number of Outlets	45	85	100	35
Net Sales Volume	$365,589	$731,995	$1,380,202	$3,598,045
Current Year's Sales vs. Previous Year*	+ .71%	-3.52%	+ .20%	- .17%
Gross Sales	101.58%	102.04%	101.65%	101.51%
Less: Total Deductions	1.58	2.04	1.65	1.41
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.72	72.11	73.98	74.30
Margin Before Purchase Rebate or Patronage Dividend	29.28	27.89	26.02	25.70
Purchase Rebate or Patronage Dividend	.22	.14	.15	.11
Margin After Purchase Rebate or Patronage Dividend	29.50	28.03	26.17	25.81
Payroll and Other Employee Expenses				
Salaries — Owners/Officers/Managers	6.97	4.31	4.46	3.82
Salaries/Wages — Other Employees	7.38	10.37	9.37	9.23
Federal and State Payroll Taxes	.95	1.18	1.12	.95
Group Insurance	.66	.60	.61	.47
Benefit Plans	.52	.36	.49	.69
Total Payroll and Other Employee Expenses	16.48	16.82	16.05	15.16
Occupancy Expenses				
Heat, Light, Power, Water	.81	.63	.58	.49
Building Repairs and Maintenance	.16	.18	.20	.28
Rent or Ownership in Real Estate**	2.34	2.63	2.03	2.25
Total Occupancy Expenses	3.31	3.44	2.81	3.02
Other Costs of Doing Business				
Office Supplies and Postage	.59	.38	.45	.40
Advertising and Promotion	1.19	1.06	1.45	.81
Donations	.05	.05	.05	.05
Telephone and Telegraph	.36	.31	.34	.25
Bad Debts	.42	.86	.58	.78
Credit Card Expense (Bank Charges)	.06	.02	.05	.02
Delivery (Other Than Wages)	1.00	1.02	1.08	.75
Leasing Expenses (Non-Occupancy)	.08	.06	.03	.14
Insurance (Other Than Real Estate and Group)	.64	.90	.52	.58
Taxes (Other Than Real Estate and Payroll)	.48	.44	.39	.33
Equipment Repairs and Maintenance	.11	.31	.29	.37
Interest (Other Than Mortgages)	1.02	1.41	2.08	1.18
Depreciation (Other Than Real Estate)	.91	.77	.67	.64
Store and Shop Supplies	.26	.24	.13	.14
Legal and Accounting	.26	.30	.36	.37
Computer Services and Expenses (Other Than Wages)	.00	.05	.08	.14
Dues and Subscriptions	.12	.10	.07	.07
Travel, Buying, Entertainment	.27	.16	.23	.17
Miscellaneous Services (Laundry, Disposal, etc.)	.07	.04	.12	.08
Unclassified Expenses	.50	.54	.21	.64
Total Other Costs of Doing Business	8.39	9.02	9.18	7.91
Total Operating Expenses	28.18	29.28	28.04	26.09
Operating Profit or Loss	1.32	(1.25)	(1.87)	(.28)
Other Income	2.61	2.89	2.57	1.43
Net Operating Profit or Loss (Before Income Taxes)	3.93	1.64	.70	1.15

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Sales Volume Size

Balance Sheet Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$224,338	$458,159	$650,093	$1,581,866
		% of Total Assets		
Assets				
Cash On Hand and In Bank	11.85	9.38	4.88	7.62
Notes and Installment Contracts Receivable	2.33	2.50	1.62	4.88
Accounts Receivable	13.85	19.77	22.19	23.92
Merchandise Inventory (End of Year)	34.43	38.89	41.69	39.74
Other Current Assets	3.24	2.93	3.65	4.37
Total Current Assets	65.71	73.47	74.03	80.53
Stocks and Bonds	5.01	1.43	1.62	.81
Real Estate (Not Used in Business)	4.59	5.91	.82	1.57
Other Investments	2.09	2.96	3.07	2.06
Total Investments	11.69	10.30	5.51	4.44
Land (Owned and Used in Business)	2.93	2.41	2.34	2.80
Buildings (Owned and Used in Business Less Depreciation)	12.23	6.89	9.40	5.35
Leasehold Improvements (Less Amortization Allowance)	.62	.19	1.02	.53
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	2.62	2.73	3.47	3.41
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.86	1.94	3.13	1.96
Other Fixed Assets	1.34	2.07	1.10	.98
Total Fixed Assets	20.60	16.23	20.46	15.03
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.44	8.23	10.52	13.22
Current Portion of Notes Payable	3.98	9.52	11.00	13.39
Accrued Payroll Taxes	.13	.37	.82	.53
Accrued Other Taxes	1.15	.96	.38	.56
Other Accrued Expenses	1.15	2.12	2.66	3.31
Other Current Liabilities	2.07	.91	1.51	1.70
Total Current Liabilities	15.92	22.11	26.89	32.71
Notes Due Partners/Officers	3.41	3.69	1.17	1.21
Mortgage Payable	2.99	11.15	4.73	1.02
Long Term Debt	11.48	7.88	18.70	10.14
Other Long Term Liabilities	1.11	1.28	1.39	1.68
Total Long Term Liabilities	18.99	24.00	25.99	14.05
Total Liabilities	39.41	46.11	52.88	46.76
Net Worth	65.09	53.89	47.12	53.24
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	9.83%	4.87%	3.12%	4.86%
Active Owner's Return	27.28%	17.64%	23.21%	21.18%
Current Asset Ratio	4.13x	3.32x	2.75x	2.46x
Quick Asset Ratio	1.97x	1.56x	1.20x	1.25x
Total Debt to Tangible Net Worth	53.60%	85.59%	112.23%	87.86%
Stock Turn Times	3.35x	3.02x	3.79x	4.20x
Sales to Inventory Ratio	4.74x	4.18x	5.12x	5.66x
Average Inventory per Sq. Ft. Sales Area	$57.11	$64.78	$130.59	$124.53
Net Sales to Accounts Receivable	11.76x	8.08x	9.57x	9.51x
Accounts Receivable — Average Age in Days	31.04	45.17	38.14	38.38
Net Sales to Total Assets	1.63x	1.60x	2.12x	2.27x
Net Sales to Net Worth	1.63x	1.60x	4.51x	4.27x
Net Sales to Net Working Capital	3.27x	3.11x	4.50x	4.76x
Other Operating Data				
Incoming Freight — % of Purchases	.19%	.17%	.19%	.23%
Credit Sales — % of Total Gross Sales	71.21%	62.05%	60.67%	74.97%
Consumer Sales — % of Total Gross Sales	75.38%	61.07%	55.95%	41.20%
Selling Area — Square Feet	2,375	3,929	4,951	4,936
Sales Per Square Foot — Selling Area	$153.93	$186.31	$278.77	$728.94
Total Area — Square Feet	12,524	20,964	15,365	17,569
Sales Per Square Foot — Total Area	$29.19	$34.98	$89.83	$204.80
Sales Per Person Employed	$97,738	$85,828	$94,8948	$107,818
Sales Per Customer	$33.11	$41.15	$53.98	$119.01

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. or More
Number of Outlets	68	70	89
Net Sales Volume	$879,360	$1,181,093	$1,639,804
Current Year's Sales vs. Previous Year*	-4.73%	-5.57%	+4.29%
Gross Sales	102.05%	101.79%	101.64%
Less: Total Deductions	2.05	1.79	1.64
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.54	74.71	73.70
Margin Before Purchase Rebate or Patronage Dividend	26.46	25.29	26.30
Purchase Rebate or Patronage Dividend	.14	.05	.17
Margin After Purchase Rebate Or Patronage Dividend	26.60	25.34	26.47
Payroll and Other Employee Expenses			
Salaries — Owners/Officers/Managers	4.54	4.90	3.91
Salaries/Wages — Other Employees	9.19	8.19	10.17
Federal and State Payroll Taxes	1.01	1.01	1.11
Group Insurance	.55	.53	.61
Benefit Plans	.67	.41	.47
Total Payroll and Other Employee Expenses	15.96	15.04	16.27
Occupancy Expenses			
Heat, Light, Power, Water	.45	.49	.65
Building Repairs and Maintenance	.16	.16	.22
Rent or Ownership in Real Estate**	2.08	1.63	2.37
Total Occupancy Expenses	2.69	2.28	3.24
Other Costs of Doing Business			
Office Supplies and Postage	.44	.44	.43
Advertising and Promotion	.82	.78	1.45
Donations	.04	.03	.06
Telephone and Telegraph	.30	.29	.32
Bad Debts	.78	.80	.64
Credit Card Expense (Bank Charges)	.02	.04	.04
Delivery (Other Than Wages)	1.01	.88	.97
Leasing Expenses (Non-Occupancy)	.13	.01	.09
Insurance (Other Than Real Estate and Group)	.58	.61	.64
Taxes (Other Than Real Estate and Payroll)	.32	.41	.36
Equipment Repairs and Maintenance	.25	.28	.30
Interest (Other Than Real Estate)	.95	2.02	1.75
Depreciation (Other Than Real Estate)	.72	.64	.74
Store and Shop Supplies	.19	.19	.15
Legal and Accounting	.27	.34	.38
Computer Services and Expenses (Other Than Wages)	.05	.08	.10
Dues and Subscriptions	.10	.07	.07
Travel, Buying, Entertainment	.15	.20	.24
Miscellaneous Services (Laundry, Disposal, etc.)	.06	.08	.12
Unclassified Expenses	.44	.41	.39
Total Other Costs of Doing Business	7.62	8.60	9.24
Total Operating Expenses	26.27	25.92	28.75
Operating Profit or Loss	.33	(.58)	(2.28)
Other Income	1.93	1.88	2.28
Net Operating Profit or Loss (Before Income Taxes)	2.26	1.30	2.36

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Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$387,461	$555,635	$819,444
		% of Total Assets	
Assets			
Cash On Hand and In Bank	11.74	5.43	5.70
Notes and Installment Contracts Receivable	1.59	1.39	3.74
Accounts Receivable	22.04	30.76	19.11
Merchandise Inventory (End of Year)	38.37	40.53	39.07
Other Current Assets	2.31	3.05	5.12
Total Current Assets	76.05	81.16	72.74
Stocks and Bonds	2.86	1.24	1.36
Real Estate (Not Used in Business)	1.91	1.97	1.55
Other Investments	2.99	1.77	3.24
Total Investments	7.76	4.98	6.15
Land (Owned and Used in Business)	2.77	1.83	3.19
Buildings (Owned and Used in Business Less Depreciation)	7.12	5.55	9.11
Leasehold Improvements (Less Depreciation)	.42	.44	.81
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	2.83	3.02	3.82
Delivery Equipment (Owned and Used in Business Less Depreciation	2.57	1.92	2.64
Other Fixed Assets	.48	1.10	1.54
Total Fixed Assets	16.19	13.86	21.11
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	11.91	10.45	11.03
Current Portion of Notes Payable	9.68	8.36	14.73
Accrued Payroll Taxes	1.13	.54	.55
Accrued Other Taxes	.94	.55	.35
Other Accrued Expenses	2.60	2.91	2.62
Other Current Liabilities	1.23	.92	1.76
Total Current Liabilities	27.49	23.73	31.04
Notes Due Partners/Officers	2.24	2.62	1.44
Mortgage Payable	3.12	2.63	5.37
Long Term Debt	6.75	21.05	13.10
Other Long Term Liabilities	3.06	.90	1.62
Total Long Term Liabilities	15.17	27.20	21.53
Total Liabilities	42.66	50.93	52.57
Net Worth	57.34	49.07	47.43
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	8.96%	5.63%	.32%
Active Owner's Return	26.91%	26.86%	16.30%
Current Asset Ratio	2.77x	3.42x	2.34x
Quick Asset Ratio	1.37x	1.71x	1.08x
Total Debt to Tangible Net Worth	74.39%	103.79%	110.80%
Stock Turn Times	4.42x	5.86x	3.78x
Sales to Inventory Ratio	6.00x	5.17x	5.14x
Average Inventory per Sq. Ft. Sales Area	$125.04	$111.41	$88.96
Net Sales to Accounts Receivable	10.30x	6.91x	10.47x
Accounts Receivable — Average Age in Days	35.44	52.82	34.86
Net Sales to Total Assets	2.27x	2.13x	2.00x
Net Sales to Net Worth	3.96x	4.33x	4.22x
Net Sales to Net Working Capital	4.68x	3.70x	4.80x
Other Operating Data			
Incoming Freight — % of Purchases	.13%	.10%	.27%
Credit Sales — % of Total Gross Sales	78.51%	69.49%	55.45%
Consumer Sales — % of Total Gross Sales	58.47%	58.93%	57.92%
Selling Area — Square Feet	1,931	3,629	6,406
Sales Per Square Foot — Selling Area	$455.39	$325.46	$255.98
Total Area — Square Feet	13,132	14,303	22,405
Sales Per Square Foot — Total Area	$66.96	$82.58	$73.19
Sales Per Person Employed	$111,561	$104,919	$92,829
Sales Per Customer	$54.73	$84.71	$55.24

Trade Area Size

Income Statement Data	S.M.S.A.	Cities 10,000 to 50,000	Rural Areas Under Under 10,000
Number of Outlets	29	62	170
Net Sales Volume	$1,548,224	$1,438,686	$1,153,802
Current Year's Sales vs. Previous Year*	-4.10%	+5.48%	-2.42%
Gross Sales	100.33%	100.46%	102.13%
Less: Total Deductions	.33	1.46	2.13
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.11	73.79	73.68
Margin Before Purchase Rebate or Patronage Dividend	25.89	26.21	26.32
Purchase Rebate or Patronage Dividend	.04	.08	.18
Margin After Purchase Rebate or Patronage Dividend	25.93	26.29	26.50
Payroll and Other Employee Expenses			
Salaries — Owners/Officers/Managers	3.57	5.33	3.78
Salaries/Wages — Other Employees	10.80	8.42	9.94
Federal and State Payroll Taxes	.93	1.14	1.05
Group Insurance	.30	.64	.59
Benefit Plans	.84	.53	.42
Total Payroll and Other Employee Expenses	16.44	16.06	15.78
Occupancy Expenses			
Heat, Light, Power, Water	.41	.61	.57
Building Repairs and Maintenance	.54	.20	.17
Rent or Ownership in Real Estate**	2.09	2.17	2.23
Total Occupancy Expenses	3.04	2.98	2.97
Other Costs of Doing Business			
Advertising and Promotion	1.07	1.04	1.20
Insurance (Other Than Real Estate or Group)	.55	.44	.74
Taxes (Other Than Real Estate or Payroll)	.35	.42	.37
Interest (Other Than Real Estate)	.73	2.59	1.27
Depreciation (Other Than Real Estate)	.77	.51	.75
All Other Expenses	4.27	4.48	4.06
Total Other Costs of Doing Business	7.74	9.48	8.39
Total Operating Expenses	27.22	28.52	27.14
Operating Profit or Loss	(1.29)	(2.23)	(.64)
Other Income	3.45	1.80	2.15
Net Operating Profit or Loss (Before Income Taxes)	2.16	(.43)	1.51
Financial Performance			
Profit on Investment	7.00%	(1.98%)	5.80%
Active Owner's Return	18.62%	22.24%	20.34%
Current Asset Ratio	3.52x	3.04x	2.64x
Quick Asset Ratio	1.95x	1.48x	1.19x
Total Debt to Tangible Net Worth	53.71%	132.90%	87.27%
Stock Turn Times	4.53x	3.67x	3.76x
Sales to Inventory Ratio	6.11x	4.97x	5.11x
Average Inventory per Sq. Ft. Sales Area	$93.43	$194.22	$81.94
Net Sales to Accounts Receivable	10.21x	8.00x	9.59x
Accounts Receivable — Average Age in Days	35.75	45.63	38.06
Net Sales to Total Assets	2.11x	1.95x	2.05x
Net Sales to Net Worth	3.25x	4.54x	3.84x
Net Sales to Net Working Capital	3.75x	3.85x	4.47x
Other Operating Data			
Incoming Freight — % of Purchases	.06%	.31%	.16%
Credit Sales — % of Total Gross Sales	79.89%	64.76%	62.62%
Consumer Sales — % of Total Gross Sales	33.82%	60.68%	62.66%
Selling Area — Square Feet	3,385	4,739	4,144
Sales Per Square Foot — Selling Area	$457.38	$303.58	$278.43
Total Area — Square Feet	11,041	16,728	17,776
Sales Per Square Foot — Total Area	$140.22	$86.00	$64.91
Sales Per Person Employed	$112,053	$93,425	$101,529
Sales Per Customer	$67.84	$93.09	$51.56

*As reported to us by Lumber/Building Materials Financial Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

Outlet Location

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	86	104	37
Net Sales Volume	$1,093,267	$1,518,824	$1,220,752
Current Year's Sales vs. Previous Year*	+ .44%	-5.34%	+13.49%
Gross Sales	101.34%	101.86%	102.20%
Less: Total Deductions	1.34	1.86	2.20
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.61	73.76	73.50
Margin Before Purchase Rebate or Patronage Dividend	26.39	26.24	26.50
Purchase Rebate or Patronage Dividend	.03	.15	.25
Margin After Purchase Rebate or Patronage Dividend	26.42	26.39	26.75
Payroll and Other Employee Expenses			
Salaries — Owners/Officers/Managers	4.31	4.39	3.92
Salaries/Wages — Other Employees	9.71	9.49	8.25
Federal and State Payroll Taxes	1.05	1.05	.99
Group Insurance	.67	.51	.45
Benefit Plans	.47	.57	.67
Total Payroll and Other Employee Expenses	16.21	16.01	14.28
Occupancy Expenses			
Heat, Light, Power, Water	.68	.52	.58
Building Repairs and Maintenance	.22	.29	.17
Rent or Ownership in Real Estate**	2.32	2.42	2.03
Total Occupancy Expenses	3.22	3.23	2.78
Other Costs of Doing Business			
Advertising and Promotion	1.35	.99	1.12
Insurance (Other Than Real Estate and Group)	.63	.61	.70
Taxes (Other Than Real Estate and Payroll)	.32	.35	.58
Interest (Other Than Real Estate)	1.43	1.67	1.17
Depreciation (Other Than Real Estate)	.67	.66	.75
All Other Expenses	4.35	4.23	4.08
Total Other Costs of Doing Business	8.75	8.51	8.40
Total Operating Expenses	28.18	27.75	25.46
Operating Profit or Loss	(1.76)	(1.36)	1.29
Other Income	2.50	2.39	1.43
Net Operating Profit or Loss (Before Income Taxes)	.74	1.03	2.72
Financial Performance			
Profit on Investment	2.77%	4.23%	11.15%
Active Owner's Return	19.08%	22.37%	27.25%
Current Asset Ratio	2.41x	3.04x	2.87x
Quick Asset Ratio	1.09x	1.55x	1.29x
Total Debt to Tangible Net Worth	92.14%	97.62%	104.81%
Stock Turn Times	3.49x	4.00x	3.84x
Sales to Inventory Ratio	4.74x	5.42x	5.23x
Average Inventory per Sq. Ft. Sales Area	$112.32	$109.26	$60.29
Net Sales to Accounts Receivable	9.23x	8.80x	10.74x
Accounts Receivable — Average Age in Days	39.54	41.48	33.99
Net Sales to Total Assets	1.97x	2.09x	2.00x
Net Sales to Net Worth	3.78x	4.13x	4.10x
Net Sales to Net Working Capital	4.44x	3.99x	4.32x
Other Operating Data			
Incoming Freight — % of Purchases	.05%	.23%	.21%
Credit Sales — % Total Gross Sales	66.78%	67.57%	62.82%
Consumer Sales — % of Total Gross Sales	64.62%	52.44%	61.53%
Selling Area — Square Feet	3,989	4,026	4,308
Sales Per Square Foot — Selling Area	$274.07	$377.25	$283.37
Total Area — Square Feet	12,569	16,642	20,740
Sales Per Square Foot — Total Area	$86.98	$91.26	$58.86
Sales Per Person Employed	$85,169	$103,220	$111,526
Sales Per Customer	$41.79	$82.04	$68.57

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Number of Outlets

Income Statement Data	Single Outlet Business	Multiple Outlet Business
Number of Outlets	144	121
Net Sales Volume	$1,365,990	$1,205,954
Current Year's Sales vs. Previous Year*	-2.99%	+2.11%
Gross Sales	102.13%	$101.04%
Less: Total Deductions	2.13	1.04
Net Sales	100.00%	100.00%
Cost of Goods Sold	73.40	73.87
Margin Before Purchase Rebate or Patronage Dividend	26.60	26.13
Purchase Rebate or Patronage Dividend	.18	.08
Margin After Purchase Rebate or Patronage Dividend	26.78	26.21
Payroll and Other Employee Expenses		
Salaries — Owners/Officers/Managers	4.26	4.39
Salaries/Wages — Other Employees	9.15	9.78
Federal and State Payroll Taxes	.94	1.22
Group Insurance	.47	.69
Benefit Plans	.58	.49
Total Payroll and Other Employee Expenses	15.40	16.57
Occupancy Expenses		
Heat, Light, Power, Water	.52	.64
Building Repairs and Maintenance	.24	.21
Rent or Ownership in Real Estate**	2.10	2.39
Total Occupancy Expenses	2.86	3.24
Other Costs of Doing Business		
Advertising and Promotion	.95	1.37
Insurance (Other Than Real Estate or Group)	.71	.49
Taxes (Other Than Real Estate or Payroll)	.44	.29
Interest (Other Than Real Estate)	1.14	2.17
Depreciation (Other Than Real Estate)	.72	.65
All Other Expenses	4.28	4.21
Total Other Costs of Doing Business	8.24	9.18
Total Operating Expenses	26.50	28.99
Operating Profit or Loss	28	(2.78)
Other Income	2.02	2.47
Net Operating Profit or Loss (Before Income Taxes)	2.30	(.31)
Financial Performance		
Profit on Investment	8.03%	(1.48%)
Active Owner's Return	22.91%	18.96%
Current Asset Ratio	3.20x	2.37x
Quick Asset Ratio	1.50x	1.12x
Total Debt to Tangible Net Worth	71.86%	131.75%
Stock Turn Times	3.67x	3.81x
Sales to Inventory Ratio	5.00x	5.16x
Average Inventory Per Sq. Ft. Sales Area	$61.75	$298.49
Net Sales to Accounts Receivable	9.46x	9.14x
Accounts Receivable — Average Age in Days	38.58	39.93
Net Sales to Total Assets	2.03x	2.01x
Net Sales to Net Worth	3.49x	4.66x
Net Sales to Net Working Capital	3.83x	4.75x
Other Operating Data		
Incoming Freight — % of Purchases	.21%	.19%
Credit Sales — % of Total Gross Sales	70.89%	62.38%
Consumer Sales — % of Total Gross Sales	54.58%	62.89%
Selling Area — Square Feet	3,953	4,472
Sales per Square Foot — Selling Area	$345.56	$269.67
Total Area — Square Feet	16,156	17,445
Sales per Square Foot — Total Area	$84.55	$69.13
Sales per Person Employed	$106,736	$88,116
Sales per Customer	$58.28	$72.02

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Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	59	176
Net Sales Volume	$2,102,192	$1,052,081
Current Year's Sales vs. Previous Year*	-5.04%	+1.99%
Gross Sales	102.30%	$101.23%
Less: Total Deductions	2.30	1.23
Net Sales	100.00%	100.00%
Cost of Goods Sold	74.60	72.88
Margin Before Purchase Rebate or Patronage Dividend	25.40	27.12
Purchase Rebate or Patronage Dividend	.09	.12
Margin After Purchase Rebate or Patronage Dividend	25.49	27.24
Payroll and Other Employee Expenses		
Salaries — Owners/Officers/Managers	3.96	4.71
Salaries/Wages — Other Employees	9.67	9.19
Federal and State Payroll Taxes	.94	1.15
Group Insurance	.38	.69
Benefit Plans	.62	.49
Total Payroll and Other Employee Expenses	15.57	16.23
Occupancy Expenses		
Heat, Light, Power, Water	.47	.62
Building Repairs and Maintenance	.28	.21
Rent or Ownership in Real Estate**	2.20	2.19
Total Occupancy Expenses	2.95	3.02
Other Costs of Doing Business		
Advertising and Promotion	.87	1.35
Insurance (Other Than Real Estate or Group)	.67	.56
Taxes (Other Than Real Estate or Payroll)	.29	.43
Interest (Other Than Real Estate)	1.27	1.85
Depreciation (Other Than Real Estate)	.71	.68
All Other Expenses	4.61	4.03
Total Other Costs of Doing Business	8.42	8.90
Total Operating Expenses	26.94	28.15
Operating Profit or Loss	(1.45)	(.91)
Other Income	2.01	2.41
Net Operating Profit or Loss (Before Income Taxes)	.56	1.50
Financial Performance		
Profit on Investment	2.33%	5.83%
Active Owner's Return	18.99%	24.20%
Current Asset Ratio	2.57x	2.78x
Quick Asset Ratio	1.42x	1.21
Total Debt to Tangible Net Worth	87.91%	102.63%
Stock Turn Times	4.84x	3.31x
Sales to Inventory Ratio	6.49x	4.55x
Average Inventory Per Sq. Ft. Sales Area	$91.17	$112.65
Net Sales to Accounts Receivable	8.23x	10.26x
Accounts Receivable — Average Age in Days	44.35	35.58
Net Sales to Total Assets	2.24x	1.92x
Net Sales to Net Worth	4.21x	3.90x
Net Sales to Net Working Capital	4.77x	4.02x
Other Operating Data		
Incoming Freight — % of Purchases	.18%	.17%
Credit Sales — % of Total Gross Sales	77.71%	57.85%
Consumer Sales — % of Total Gross Sales	30.29%	68.44%
Selling Area — Square Feet	3,955	4,321
Sales per Square Foot — Selling Area	$531.53	$243.48
Total Area — Square Feet	15,755	16,839
Sales per Square Foot — Total Area	$133.43	$62.48
Sales per Person Employed	$116,569	$85,646
Sales per Customer	$94.55	$49.12

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Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/buiding material retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.
fied.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses -- Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

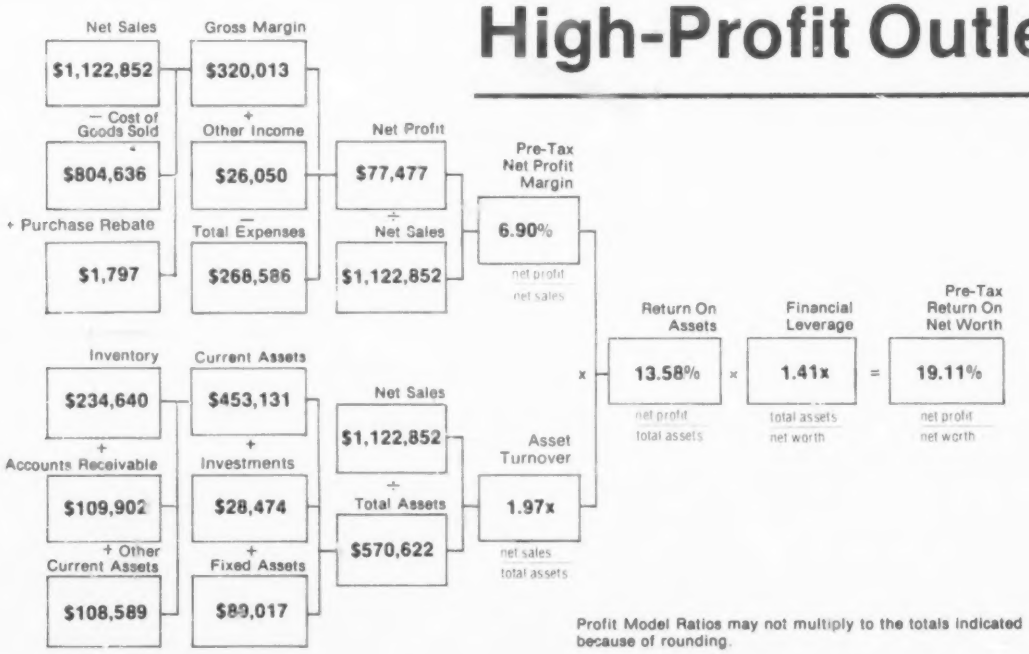
Fixed Assets — Divide Net Sales by Fixed Assets, a substantially lower than industry average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved oy industry leaders.

High-Profit Outlets



Profit Model Ratios may not multiply to the totals indicated because of rounding.

Departmental Sales

The Departmental Sales section of the Financial Report offers a variety of information for fourteen major departments carried in the hardline industry's retail outlets.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Financial Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building material outlet carrying only these departments.

As an example, a lumber/building material outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	= 59.1%

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space, inventory and cost of goods sold.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page, examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: paint and home decorating, hardware, hand tools and plumbing, heating & cooling. Margin evaluations alone would indicate sporting goods and outdoor equipment to be below average performance.

An additional measure is the sales to inventory ratio. On the basis of this ratio alone, lumber and building materials highly exceed all the other department averages.

An excellent way for lumber/building material outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio. Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.07 which means $1.07 in margin is returned for each $1.00 invested in lawn and garden inventory. GMROI of 1.07 is computed by taking margin (29.0%) times the sales to inventory ratio (3.7x), (29.0% x 3.7 x = 1.07). Resultant GMROI figures give lumber/building material outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold	$ Sales Per Sq. Ft. Sales Area	Average Outlet Profile: % of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold
Hardware	100.0	9.8	24.4	13.5	9.4	123.38	9.8	24.4	13.5	9.4
Hand Tools	78.4	2.4	6.6	2.8	3.0	95.68	1.9	6.1	2.9	1.8
Power Tools & Accessories	68.4	2.0	4.5	2.4	2.7	105.09	1.3	3.8	1.8	1.3
Plumbing, Heating & Cooling	84.8	5.4	10.3	7.2	5.3	138.67	4.6	8.8	6.0	4.4
Electrical Supplies	77.2	3.6	7.5	5.1	3.3	69.08	2.8	6.5	4.0	2.7
Paint & Home Decorating	95.9	8.3	16.2	9.6	7.3	134.53	7.9	17.1	9.8	7.4
Lumber	100.0	27.2	NA	21.7	27.9	NA	27.2	NA	21.7	27.9
Building Materials	100.0	39.7	25.7	34.5	40.3	454.44	39.7	25.7	34.7	40.4
Lawn & Garden	51.5	2.5	7.1	3.4	3.6	121.01	1.3	3.3	1.7	1.3
Housewares	16.4	1.6	2.5	2.3	1.4	102.39	.3	.9	.4	.3
Automotive Supplies	4.7	.6	1.2	.2	.1	167.22	.1	.1	.1	.1
Major Appliances & Home Entertainment	15.8	3.8	5.1	3.9	2.8	266.53	.6	.4	.8	.6
Sporting Goods & Outdoor Equipment	11.1	1.2	1.9	1.1	1.4	67.97	.1	.7	.1	.1
Miscellaneous Goods	47.4	5.0	4.1	3.9	4.4	223.92	2.4	2.2	2.5	2.3
							100.0	100.0	100.0	100.0

Productivity

Department	Typical Outlet Profile: Gross Margin %	Sales To Inventory Ratio	GMROI
Hardware	31.6	3.6x	1.14
Hand Tools	31.6	3.2x	1.01
Power Tools & Accessories	29.7	3.5x	1.04
Plumbing, Heating & Cooling	31.5	3.8x	1.20
Electrical Supplies	30.7	3.5x	1.07
Paint & Home Decorating	33.2	4.0x	1.33
Lumber	26.7	6.2x	1.66
Building Materials	27.4	5.7x	1.56
Lawn & Garden	29.0	3.7x	1.07
Housewares	26.9	3.7x	1.00
Automotive Supplies	30.7	3.8x	1.17
Major Appliances & Home Entertainment	25.9	3.8x	.98
Sporting Goods & Outdoor Equipment	18.9	4.5x	.85
Miscellaneous Goods	30.3	4.7x	1.42

New Outlet Data

To determine the feasibility of a new consumer-oriented lumber/building material outlet, four distinct planning phases are required:

—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

Phase I
As the ultimate criterion of feasibility for a proposed lumber/building material outlet will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new retail outlet can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's Lumber/Building Materials Financial Report to estimate sales volumes, gross margins, salaries and other cost of doing business to project Net Profits and Return on Investment for the proposed operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

Phase II
Site Location
The market area to be served by the proposed lumber/building material operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail lumber/building material outlet location. These aspects are listed below.

Shopping Pull — Businesses in the area which would help draw consumers to the area.

Parking Facilities — Adequate parking requires two to two and a half square feet of parking area for every square foot of selling area.

Walk-In Traffic
Traffic Count and Patterns
Accessibility
Visibility
Congestion
Shopping Ease — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

Ingress and Egress — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

Primary Trade Area
After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundaries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or manmade barriers.

Size — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

Driving Time — Typically a 2,500 square foot store can draw consumers within a 5 to 10 minutes driving time, a 5,000 square foot store drawing within 10 to 15 minutes driving time.

Other Retail Stores — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

Barriers — Barriers affecting accessibility to selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new outlet within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

Consumer Analysis
From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumers' propensity to spend on hardlines.

Population Growth Rate — A favorable environment for a new lumber/building material outlet requires that the Primary Trade Area experience a minimum of .5 percent annual increase in population.

Income Levels — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

Type of Housing — Consumers who own their own homes will spend more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

Competitive Analysis
Although within a given Primary Trade Area, consumer demographic variables may indicate a healthy environment for a new outlet, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines sales represent approximately 70 to 80 percent of the total sales volume for an average consumer-oriented lumber/building material outlet. Primary hardlines include: hardware, tools, electrical, and plumbing. As the primary hardlines and lumber/building material represent the substantial majority of sales for an outlet, an analysis to determine the feasibility of a new outlet should focus on these lines.

Retail outlets which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating that the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying, and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a consumer-oriented lumber/building material outlet, the merchandise mix must include all primary hardlines plus lumber and building materials. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Lumber, Building Materials — average to above average.

Illustration	Hdwe.	Tools	Elec.	Plbg.	Lawn/ Gdn.	Paint	Sun- dries	Lmbr.	Bldg. Matl.
Site Area									
Variety Store	1	1	2	1	3	2	1		
Drug Store			1		1				
Downtown									
Home Center	5	4	5	4	4	5	5	5	3
Paint Store						5	2		
Auto Supplies		1	1						
East									
Hardware Store	4	3	4	2	5	3	3		
K-Mart	4	5	3	3	5	5	4	3	2
Lumber Outlet	2	1	2	2	1	3	3		
South									
Sears	4	5	4	4	5	5	4		2
Penney	3	4	3	3	4	4	3		
Sherwin Williams					5	5			
Super Drugs	2	1	2	2	3	2	1		
Total	25	25	27	21	36	39	26	8	7
# Of Competitors	8	9	10	8	10	10	9	2	3

Phase III

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities, etc. For those expense items that cannot be determined, NRHA's Lumber/Building Materials Financial Report will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new outlet will take three years to reach maximum productivity and efficiency or what is termed "outlet maturity". Therefore do not be overly optimistic on setting performance goals.

Phase IV

Through a combined analysis of all planning phases, the consumer outlet image is developed.

Owner's Economic Constraints
Customer Identification
Posture of Major Competitors
will determine
Size of Facility
Merchandise Mix
Service Level
Price Statement
will determine
Store Layout, Design and Decor
which relays
Consumer Store Image

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